

Market Overview



Update

28 May 2020

- Euro smiles on unveiling of EU recovery fund
- Brexit negotiations still Frosty
- UK announce 'test and trace' programme

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Euro smiles on unveiling of EU recovery fund:

Following the historic agreement between Angela Merkel and Emmanuel Macron over an EU recovery fund last week the European Commission put details to the plan yesterday. This saw the total size of the fund increased to €750bn, comprising of the original €500bn agreed by Merkel and Macron and adding a further €250bn. The plan will essentially see the European Commission issue debt, the funds then being transferred to member states, however in a ground breaking shift in position, Germany and France put forward the idea of €500bn of this recovery fund being distributed as grants rather than loans. The remaining €250bn of the fund would be available as loans. The draft plan still needs to be agreed by all 27 EU member states, with a number of northern countries (Austria, Sweden, the Netherlands and Denmark), dubbed the 'frugal four', continuing to have concerns over the distribution of grants. However, on the other side all four of the EU's largest economies back the plan. Should the plans gain final approval the fund will represent a first small step to greater fiscal unity and for Euro area countries it would also take some of the pressure off the ECB to do all the heavy lifting in terms of economic stimulus. The single currency surged in value against a basket of currencies yesterday as the news was released with the benchmark EUR/USD rate finally breaching the pivotal \$1.10 level it had tried in vain to several times in recent weeks.

Brexit negotiations still Frosty:

The UK's Chief Brexit Negotiator, David Frost, told MPs yesterday that the two sides remain far apart on issues such as fisheries and on EU demands for a "level playing field". He went on to admit that an agreement on the future UK/EU fishing regime was unlikely to be secured by the target date of 30 June. Meanwhile, his EU counterpart, Michel Barnier, wrote to opposition MPs telling them that Brussels remains open to the possibility of extending the transition period by up to two years. However, Mr Frost told MPs that he was working under the "firm" instruction from Mr Johnson that the transition period would not be extended beyond 31 December.

UK announce 'test and trace' programme:

Last night, UK Prime Minister, Boris Johnson, announced that England's long-awaited 'test and trace' programme for COVID-19 will launch at 9:00am today. Northern Ireland has its own version up and running, while Scotland has announced that its system will be operational from Thursday and Wales' scheme is due to start in early June. Under the English scheme, anyone with symptoms of the virus will be tested and asked to isolate. If this comes back negative, then the individual and the rest of their household will be allowed to leave their home. But if the test comes back positive, a team of 25,000 contact tracers will work on establishing the close contact that the infected individual has had with others. This is defined as those who come within one meter of someone who has tested positive or anyone who has been within one and two meters of an infected individual for 15 minutes or more without wearing protective equipment. The contact must have occurred two days before the infected person developed symptoms or up to seven days after symptoms appeared. Note that a smartphone app designed to automatically alert people that they have been in contact with someone who has tested positive is still being trialled on the Isle of Wight.

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