

Market Overview



Update

29 May 2020

- Risk sentiment could be challenged by China escalation
- UK restrictions eased further

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Risk sentiment could be challenged by China escalation:

EURUSD traded at its highest level since the end of March this morning as the euro continues to enjoy the positive sentiment around the proposed recovery fund announced earlier this week. The broader dollar index has also fallen as risk sentiment improves overall, with markets reopening and central banks promising to remain supportive. However markets are wary of the potential for US president Donald Trump's expected announcement later today. The US President promised reporters that he would announce a new set of policies towards China at some stage today. The announcement will likely heap further pressure on China, which has already received widespread criticism for the security measures proposed for Hong Kong. The UK has pledged to widen visa rights to British passport holders in Hong Kong, and they have also approached a number of democratic nations (G7 + Australia, India and South Korea) about the prospect of forming a "D10" group of nations with a specific focus on providing an alternative supplier of 5G equipment to Chinese company Huawei.

UK restrictions eased further:

Yesterday the Prime Minister, Boris Johnson, confirmed that the government's five tests had been met which would allow England to move to phase two of its virus response. This encompasses several elements. Firstly, it was confirmed that from Monday car showrooms and outdoor retail could reopen and that non-essential shops could also begin to reopen from 15 June. Secondly, primary schools could start to reopen for reception, Year 1 and Year 6, again from Monday, although actual reopening varies, with a number of local authorities having rejected the government's reopening timetable. Thirdly, in a welcome development for the public, the government will also allow groups of up to six people to meet outdoors including in home gardens from Monday. The government still urged caution as the measures were announced, with the government focused on keeping the crucial 'R number' under 1, with the current assessment being that it stands at 0.7- 0.9. The further gradual easing of social restrictions from Monday should further support some recovery in economic activity, with a number of indicators suggesting that the worst of the economic hit was seen in April. The pound remains on the back foot however, as a crunch round of Brexit talks dawns.

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