Investec

Market Overview

Update

30 April 2020

- **Global Economic Data**
- **FX Markets**
- **The Fed**

Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie

Best Foreign Exchange Provider in Ireland 2020
Global Finance

Global Economic Data:

US GDP for Q1 fell by an ‘annualised’ 4.8% (i.e. 1.2% q/q), moderately worse than consensus, while Q1 French GDP dropped by 5.8% on the quarter, well below market expectations of a 4.0% decline, but more or less in line with projections from the Bank of France. Of course these figures are preparing the ground for what is likely to be truly shocking figures for Q2 in most economies, as the lockdowns took maximum effect. Chinese PMIs for April were mixed. In terms of the official surveys, which concentrate on larger firms, the manufacturing PMI slipped back to 50.8 from 52.0 (consensus 51.0), while the non-manufacturing index rose to 53.2 (March 52.3, consensus 52.5). Meanwhile the Caixin manufacturing PMI edged down below 50 to 49.4, from 50.1 in March and against market expectations of a modest increase to 50.5.

FX Markets:

With COVID 19 failing to discriminate when it comes to the economies, of most concern to Irish exporters and importers, the past week has seen very little volatility both for EURGBP and EURUSD. EURGBP has seen a tight 80 tic range for the past 7 days while EURUSD has seen a similar range since the weekend. The bigger action has been seen in the likes of the AUD, NZD and CAD as these ‘non funding’, high beta currencies continue to recover in line with equity markets. With a myriad of economic issues bubbling under the surface including EU-UK trade talks, concerns about Italy’s sovereign debt and its implications for the Euro, and the impact of the Covid crisis on the various economies, a return of volatility doesn’t seem too distant on the horizon.

The Fed:

The Federal Open Market Committee (FOMC) opted to leave policy on hold yesterday maintaining the Federal funds target rate range at 0.00-0.25% and not adjusting other elements of its policy stance, such as its effectively open ended QE programme. This stance was backed unanimously by the Committee’s voting members, following a series of aggressive policy steps taken over recent (unscheduled) FOMC meetings. These have included the move to the above policy stances which included a cumulative 150bp lowering in rates, but also a wide range of other initiatives to deal with market strains evident in the face of COVID-19 and its associated economic restrictions. The accompanying statement stressed that in terms of Quantitative Easing, the Fed would continue to buy Treasuries, agency bonds and mortgage backed securities in the amounts needed to support smooth market functioning. Fed Chair Powell urged Congress to offer more fiscal support, arguing that this is not the time to worry about public debt.

Disclaimer