Market Overview

Update

30 March 2020

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Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie

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Global Finance

Coronavirus update:

The unwelcome trend in global coronavirus cases has continued with the total surpassing the 700k mark (723,279) and with the US total 142,735 of those. There was much confusion over what the US administration's next steps might be over the weekend, amidst reports that President Trump might instruct the quarantining of NY State and then it emerged that he was not planning to. In the end, the administration did announce the extension of social distancing measures in places through to 30 April, after speculation in recent days and weeks that Trump would not do so. Policy action continued to flow in thick and fast over recent days to try and stem the hit from the virus; at the end of last week President Trump signed into law the c.$2trn US fiscal bill, from China there was a cut in the 7-day reverse repo rate (by 0.2ppts to 2.2%) whilst from Canada, the central bank there cut its target for the overnight rate by 50 basis points to ¼%. Policy makers there also initiated QE with two arms. There is a Commercial Paper Purchase Program and a government securities arm, beginning with a minimum of C$5bn per week. Finally in the UK received the unwelcome but perhaps unsurprising news that Fitch had cut the UK's sovereign debt rating from AA to AA- late on Friday. Meanwhile at the weekend the deputy Chief Medical Officer cautioned that the UK could take six months or longer to get back to normal.

US this week:

In a week that saw PMI's hit a record low in Europe, and weekly jobless claims hit a record high, stock markets nevertheless excelled thanks to a fiscal boost from the US. Markets will be on the look-out for more record breaking negative data prints this week but as we have seen, the benchmark for shocking the market is currently very high. Friday's (13.30) non-farm payroll release will, as always, be keenly watched. We don't expect this number to be as shocking as the weekly jobless number last week, as the escalation in cases and lock-down in the US only took hold after the month of March was underway, but we could see something in the region of 1 million job losses.

Wednesday's ADP employments survey (13.15), Manufacturing PMI (14.00) Durable Goods orders (15.00) and Thursdays factory orders (15.00) are also worth watching, but equity indices and EURUSD will probably be the two most closely monitored barometers as markets attempt to gauge the evolving risk sentiment.

EU this week:

In Europe, the normally eye-catching release of CPI data (Germany today, Eurozone on Tuesday) will likely be bypassed but Business confidence (Monday 10.00), Manufacturing PMI (Wednesday 09.00), and Unemployment data (10.00) will be more keenly watched.

UK this week:

The first inkling on UK consumer sentiment comes next week in the form of the GfK consumer confidence. We are looking for a drop to -20 from -7 in February. Next week we also have house price data, final national account figures for Q4 2019 and credit data from the BoE along with Manufacturing PMI's. It is worth noting again that the ONS has moved forward the release time for its key data from 9.30am to 7am.

Retail Sales: Slower growth preceded the crisis

In one data series that will look radically different going forward, retail sales data for February showed a small 0.4% y/y decrease in sales volumes. Excluding the motor trades industry, which had a lacklustre month, retail sales volumes were +1.6% y/y, albeit this was the slowest rate of growth for some time. Household equipment categories continued to perform well in February, although the aforementioned motor industry, bar sales and department stores all showed lower y/y volumes.

The CSO notes that this release relates to the period before the COVID-19 disruption. March's data is likely to show severe dislocation, in so far as there will be reliable March data – the CSO also acknowledges the severe difficulties now being faced by respondents to its business surveys even though the collection of such surveys will be more important than ever.