

Market Overview



Update

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- **US equities jump on positive news**
- **PBoC cuts their MLF**
- **IMF slash growth forecasts**

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US equities jump on positive news

The 'live' counter of confirmed coronavirus cases on Worldometers has sadly just ticked above 2 million earlier this morning. This number comes just 13 days after the counter had reached 1 million. Meanwhile, the US reported its largest daily increase in coronavirus induced fatalities yesterday, after hopes that the death numbers were beginning to plateau. The US is currently the only nation (of top-ten worst impacted) to see its fatality growth rate shift over the 10% mark at 10.2%. President Donald Trump, openly keen on getting the economy back into gear, has rowed back on his claims of total authority over state governors. He has however ordered that the US halts its funding of the World Health Organisation (WHO), for "severely mismanaging" the pandemic. On a brighter note, global markets seem to have seized on the fact that irrespective of the not so encouraging US numbers, the global growth rate of fatalities and new cases over the past 24 hours have been the lowest since early March. Jumping on the positive news, US equity markets had another strong session yesterday with the benchmark S&P index closing just over 3% higher on the day.

PBoC cuts their MLF

In China we got some additional monetary stimulus from the PBoC earlier this morning. The People's Bank of China (PBoC) cut its medium-term lending facility (MLF) rate by 20 basis points to 2.95%, the lowest since the establishment of the rate in 2014. The cut will boost liquidity in China's financial system as the economy finds its feet again. It also sets the tone for next week's one-year loan prime rate (LPR) release, which is typically lowered following a tapering in the MLF rate. A reminder that the all-important Q1 GDP numbers for China are due for release on Friday, with a sizable quarterly contraction expected.

IMF slash growth forecasts

Yesterday afternoon the IMF published its latest global economic forecasts as part of its latest World Economic Outlook. It is forecasting a 3.0% decline in world GDP this year, followed by a 5.8% rebound in 2021. However the picture is gloomy within Europe, the IMF expect the Euro area to contract by 7.5% this year and rebound by just 4.7% next. The UK follows a similar pattern of a 6.5% 2020 slump followed by growth of 4.0% in 2021. The respective US GDP numbers are -5.9% and +4.7%. China's are +1.2% and +9.2%. Understandably the IMF warns that its forecasts are subject to extreme uncertainty.

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