Market Overview

Update

17 April 2020

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COVID-19 update

Yesterday British Foreign Secretary Dominic Raab announced that the UK lockdown would remain in place at least for a further three weeks. He outlined a five point plan to set conditions under which the current restrictions could be eased. These are - i) that there is no risk that the NHS would be overwhelmed; ii) a sustained reduction in daily fatalities; iii) evidence that the infection rate is easing back to manageable levels; iv) sufficient personal protective equipment and testing available; v) that there was no risk of a second peak in contractions that could swamp the NHS. In the US, President Trump outlined his guidelines for states to ease restrictions. In short, this will involve three phases, with a key being that the path of the number of coronavirus cases is on a downward trajectory over a 14 day period, or alternatively that the proportion of tests found to be positive is falling. Meanwhile in China there has been a sharp upward revision in the reported number of coronavirus deaths in Wuhan. The local authorities have pushed up their estimate of fatalities by 1290, which takes the number now to 3869.

EU – As strong as its weakest link?

Emmanuel Macron has warned of the collapse of the EU as a "political project" unless it supports stricken economies such as Italy and helps them recover from the coronavirus pandemic. Speaking to the FT from the Elysée Palace, the French president said there was "no choice" but to set up a fund that "could issue common debt with a common guarantee" to finance member states according to their needs rather than the size of their economies. This is an idea that Germany and the Netherlands have opposed. Italy's budget deficit will be near 10% of gross domestic product this year, a senior government official told Reuters, as Rome increases borrowing to try to soften the impact of the new coronavirus and the economy plunges into a deep recession. The government began the year with a target of a 2.2% deficit this year after the 1.6% reported in 2019, which was the lowest in 12 years. But those plans have been upended by the virus outbreak.

China GDP Data

Figures released overnight laid bare the damage that the coronavirus has dealt to the Chinese economy at the start of this year. GDP was recorded as being 6.8% lower than a year ago in Q1, marking the first negative print since official quarterly data began in 1992. But on a more positive note, monthly figures point to a tepid recovery towards the end of the quarter. Industrial production pared its annual decline to 1.1% in March after having been down as much as 13.5% over January and February as a whole. Also, the urban unemployment rate eased to 5.9% from February's record high of 6.2%. Meanwhile, retail sales exhibited a less convincing rebound after registering a slightly more modest decline of 15.8% after sliding 20.5% in the first two months of a year. Also note that the Chinese authorities have raised the death toll in Wuhan by 50% to 3869 and the number of cases in the city were raised by 325 to 50333. An official cited by Xinhua ascribed the revisions to "insufficiency in admission and treatment capability" at hospitals in the early stages of the outbreak which had caused "belated, missed and mistaken reporting" to occur.

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