

## Weekly Update

### Race to react

#### MORE, MORE, MORE

Sunak delivers seconds and thirds

#### UNLIMITED

The Fed commits to unlimited bond buying

#### THROWING AWAY THE (CAPITAL) KEY

The ECB gets unconventional

#### OILING THE WHEELS

Trump steps in

#### A GOOD WEEK FOR

- Japanese and European equities, which both rallied in GBP terms.
- The US dollar, which rose c.4% against the trade weighted basket of currencies.

#### A BAD WEEK FOR

- Oil prices, which fell a further -29% in USD terms.
- US equities, which declined -10%.

#### UK POLICY

A week on from the budget, Chancellor of the Exchequer Rishi Sunak announced two further spending packages, taking 2020 government stimulus to over 3% of GDP. The first tranche of spending targeted industries worst impacted by the coronavirus crisis. Measures included business rates holidays, cash grants and a three month mortgage payment holiday for afflicted borrowers. On Friday, further measures were announced, with a focus on directly protecting incomes. These included 80% wage subsidies for employees, the deferral of VAT and income tax payments, and rent support. Extra measures are also being implemented to address pressures building in specific sectors. In addition, the Bank of England will also begin to purchase commercial paper from UK firms, enhancing liquidity, having also cut interest rates to 0.1%.

Social distancing has stepped up in the UK, with people being urged to avoid non-essential travel and social spaces closed. Early data suggests that travel and leisure activity may have fallen around 15% already, suggesting a large impact on economic activity.

#### US POLICY

On Monday this week the US Federal Reserve announced the start of an unlimited bond buying programme in order to keep borrowing costs low. It also established two facilities to support credit availability to large employers, a third facility to support credit to households and small businesses, and provisions to support municipalities. Last week the Fed also launched USD liquidity-swap lines with Australia, Brazil, South Korea, Mexico, Singapore, Sweden, Denmark, Norway and New Zealand, in a bid to support global liquidity.

At a government level, the Senate passed funding to provide free testing and 10-day emergency paid sick leave for Covid-19 sufferers in a bid to manage the infection rate. However, Congress is still debating a much-needed fiscal stimulus package, which could be as much as USD 2trn. The package may include direct payments of USD 3,000 to Americans, USD 300bn in tax deferrals, and the same amount in continuity loans to small businesses. While liquidity measures are important, it is highly likely that the government will need to step in if the US is to successfully minimise the economic impact of measures necessary to slow the spread of Covid-19.

#### EUROPEAN MONETARY POLICY

The European Central Bank also announced further policy accommodation, with the launch of a programme to buy a minimum of EUR 750bn worth of bonds this year. Significantly, it allows the purchases to deviate from the capital key in the short term – the mechanism which keeps the ECB's bond purchases roughly in proportion to the size of each member state's economy – and includes Greek bonds, despite them being sub-investment grade.

Weekend media reports suggested that Germany would increase discretionary spending by around 3% of GDP, a move likely to be echoed elsewhere. However, debt-laden economies, such as Italy, may find higher spending a challenge. In response, discussion is beginning as to whether to relax the financial conditions imposed on such EU countries as a pre-requisite to accessing funding vehicles such as the European Stability Mechanism.

#### OIL

As the oil price continues to fall, the Energy Information Administration announced plans to add 30 million barrels of crude oil to the Strategic Petroleum Reserve, in order to support oil prices. The offer is open to US-based small and mid-sized companies with fewer than 5,000 employees. Oil started this week around USD 22 per barrel, having experienced a 63% price decline year to date. President Trump also commented that he would "get involved" in the Russia-Saudi Arabia production dispute "at the right time".

# Performance

## EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	-2.8%			-20.8%			-30.4%			-26.0%		
US	-9.7%	-15.0%	5.3%	-14.7%	-22.3%	7.6%	-18.5%	-28.6%	10.1%	-6.5%	-17.5%	11.0%
Europe	1.5%	-0.8%	2.2%	-15.5%	-20.6%	5.1%	-21.1%	-27.2%	6.1%	-12.7%	-18.0%	5.3%
Japan	2.4%	0.2%	2.2%	-10.8%	-16.1%	5.3%	-16.9%	-25.3%	8.5%	-7.3%	-18.3%	11.0%
Asia ex Japan	-4.4%	-8.7%	4.3%	-11.2%	-17.2%	6.0%	-14.9%	-21.6%	6.7%	-9.5%	-16.2%	6.7%
EM	-4.2%	-8.3%	4.1%	-12.2%	-17.6%	5.4%	-17.6%	-23.3%	5.7%	-12.5%	-17.9%	5.3%

## FIXED INTEREST AND CURRENCIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
<b>Corporate and Government Bonds</b>												
UK Gov	-0.3%			0.6%			5.8%			10.8%		
US Gov	0.3%			1.4%			6.9%			13.0%		
Europe Gov	-4.5%			-5.9%			-5.1%			-1.2%		
UK Index-Linked	-5.4%			-8.3%			-2.6%			-1.8%		
UK Corporate	-5.6%			-9.6%			-7.4%			-1.0%		
UK High Yield	-7.6%			-13.8%			-14.1%			-7.1%		
<b>Currencies – Spot</b>												
GBP – USD	5.5%			10.2%			14.0%			13.4%		
GBP – EUR	1.9%			7.0%			8.8%			6.5%		
GBP – JPY	2.9%			7.4%			11.7%			13.3%		

	YIELD
	Local
<b>Sovereign and Supranational Bonds</b>	
10 Year Gilts	0.56%
10 Year Treasuries	0.83%
10 Year Bunds	-0.33%

## COMMODITIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
<b>Energy</b>												
Brent	-20.3%			-46.6%			-59.1%			-60.6%		
<b>Precious Metals</b>												
Gold	-2.0%			-5.5%			-1.2%			14.2%		

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