COVID-19: Weekly Round-Up

30 March - 3 April 2020

BM Daily Briefings is a new series of daily articles in which Edward Park, Brooks Macdonald's Deputy CIO, looks at market reactions to the COVID-19 pandemic. This is the weekly round-up of those articles.

Monday, 30 March

A $2trn fiscal support package passed through US law but similar activity was expected to slow globally. Markets were looking for good news from virus slowdown rates for confidence as economies weaken drastically.

Markets finally received what they wanted from US lawmakers. The House of Representatives passed the $2trn package providing direct fiscal support to citizens and businesses impacted by the economic fallout from coronavirus. The theme of the last fortnight has been increasingly dramatic intervention by governments and central banks globally.

Tuesday, 31 March

Confidence grew in markets early in the week as positive news on the Chinese economy prompted hopes of a swift bounce back and as hopes of further fiscal packages renewed. Virus cases slowed in Europe, reassuring markets of a finite end to the lockdown.

Markets rallied as investors anticipated fiscal spending reaching the real economy and new coronavirus case growth slowed in Italy and Spain. While the overall number of cases and deaths continues to mount in Italy, the growth in new cases slowed to 4.1% - a marked improvement from the previous week. Markets were also buoyed by comments from Spain that they were seeing the beginning of a slowdown in the country.

Wednesday, 01 April

US markets took another dip, causing a poor start to the European session on Wednesday, closing out a volatile first quarter for equities. Risk appetite was impacted by the coordinated announcement by British banks that they would suspend their dividends following conversations with the UK banking regulator. Overnight, the Caixin PMI was published showing better than expected stabilisation in China, backing up the official figures. The broader Asia region trailed China, reflecting the economic lag to other countries as China restarts economic activity in earnest.

Thursday, 02 April

Markets weakened as news on government stimulus slowed and businesses delay earnings announcements. As the virus peaks in Europe, eyes now turn to the US to see how figures are brought under control there.

Bar the occasional surprise, the daily drumbeat of one-upmanship by governments to announce the largest stimulus programme has taken a pause. Companies are also taking advantage of regulatory breaks allowing them to delay their earnings announcements, this means a key gauge of economic health is being postponed. During this period there are two daily streams of information that markets need to take their cue from: daily new case/fatality growth and economic data releases.

Friday, 03 April

Oil prices surged by more than 20% as Donald Trump tweeted that he hoped and expected Saudi Arabia and Russia to cut supply by 10 million barrels per day. Bloomberg also reported that China would be increasing the size of its oil stockpiles to up to 90 days of net imports. As the COVID-19 lockdown picks up in the US and continues in Europe, there will also be a drop in supply from those regions. These three factors all contributed to the largest one day gain in WTI since data starts in 1983.

Initial US jobless claims did however test the optimism set by the oil price rally, with 6.6 million US employees filling for unemployment benefit in the last week. This is around double the consensus estimate for the figure and last week's number. This means that 10 million people have filed in the last two weeks alone, and this week's figure is 10x the level of the worst week during the financial crisis.

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