CHN
FINANCIAL CONSULTANCY

MARKET COMMENTARY

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IN THE NEWS

As confirmed hospital deaths from COVID-19 passed the 20,000 mark over the weekend, the UK became the fifth country to reach the tragic milestone.

On Saturday, Home Secretary Priti Patel conducted the daily briefing from Downing Street, she reiterated the message urged several times in the week, for the public to continue their compliance with social distancing rules. This comes as the number of vehicles on the roads increased 2-3% over the past week and the government comes under scrutiny about the requirement to release details of a lockdown exit plan.

Health Secretary Matt Hancock urged on Thursday, *"We must retain our resolve and follow social distancing rules – they are working. To lift the measures too soon and to risk a second peak will be a mistake and undo all the hard work that has been done."*

In his last day leading the government before Boris Johnson takes back the reins on Monday, Dominic Raab talked about the *"new normal"* we will need to find for the many months it will take scientists to continue their work on a vaccine.

Testing – on track

On Thursday, the Health Secretary announced that all essential workers and their households would be able to book a coronavirus test online from Friday, saying *"It's all part of getting Britain back on her feet".* Due to high demand, the website closed on Friday and Saturday as all available slots were booked. Home testing kits are also being rolled out, as 'test, track and trace' programmes are hailed as a vital component in the fight against the virus.

Coordinator of the UK coronavirus testing programme, Professor John Newton, has said that testing capacity has increased *"exponentially",* and that the UK is *"on track"* to reach the government's target of 100,000 tests per day by the end of April.

Trials and transport

The first human trial in Europe of a coronavirus vaccine began at the University of Oxford last week.
The trial has over 800 participants recruited from across England. Half of the volunteers will be injected with the COVID-19 vaccine which has been developed and the other half will be given a meningitis vaccine.

Transport secretary Grant Shapps announced on Friday that UK officials had reached an agreement with French and Irish counterparts to maintain key goods flows throughout the crisis to ensure the ongoing supply of critical goods across Europe.

Ups and downs

Markets reacted positively at the start of last week as hopes lifted that Californian biotech firm Gilead's remdesivir COVID cure might be able to effectively combat the symptoms. Hopes faded as the week progressed as trials claimed it was less effective on the severely ill. Global equity indices were more sluggish towards the end of last week, as some US states began reopening businesses, despite health experts' disapproval and the European Union failed to provide details of its new economic rescue plan. In the UK, dismal retail sales data weighed on the FTSE 100 and various surveys signalled a collapse in April business activity globally.

Crude oil prices dropped into negative territory for the first time ever last week but gained some momentum as the week progressed.

Light relief

On Thursday night, the BBCs fundraising event 'The Big Night In' took place. The Chancellor Rishi Sunak made a cameo appearance, confirming the government would match all donations, pound-for-pound, with the first £20m going to the National Emergencies Trust.

Captain Tom Moore has reached number one with his collaborative charity single 'You'll Never Walk Alone', making him the oldest artist to top the UK singles chart. Captain Moore, who celebrates his 100th birthday this week, who has already raised over £28m for the NHS, continues his fundraising efforts, with the fastest selling single of 2020.

THE MARKETS LAST WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yrs	UK 10 Yrs	Brent Crude	Gold	Wheat	GBP USD
-0.14%	-.0.06%	-3.19%	-2.10%	-2.25%	-0.03%	-0.02%	-18.16%	+0.75%	+1.78%	-1.37%

OIL: NEGATIVE PRICES ANOTHER WARNING OF EXTREME SUPPLY IMBALANCE

The oil price went negative for the first time ever last week as low demand and an extreme shortage of storage capacity combined to see the price of the US benchmark rate, West Texas Intermediate, shoot straight past $0 to end Monday 20th at -$37 a barrel.

Don't expect free petrol at the pumps any time soon. The headline figure was quite specific. It applied to one-month forward contracts for delivery in May and trading was very light - with few buyers. Brent Crude, the usual international benchmark price, also fell but remained around $20 a barrel, while the WTI spot price and longer-dated future contracts also remained positive. However, such is the shortage of storage in the US this dip into negative oil price is expected to occur again next month. And while this fall into negative pricing was very short-lived and quite technical it does illustrate the powerful forces affecting the oil markets, as oversupply and a sharp fall in demand mean oil prices are likely to remain very low in the short-term.

GLOBAL: BUSINESS OUTPUT FALLS AT FASTER RATE THAN LAST RECESSION

The sudden stock market sell-off in February and March was based on the fear of how much damage the shutdown would do to economies and individual companies. Last week has seen more concrete evidence of the scale of the problem, with business and consumer confidence at or near record lows. IHS Markit Purchasing Managers' Indices for the US, EU and UK all show business output fell at a far faster rate and to lower levels than anything seen during the financial crisis. In the UK, the services sector has been particularly badly hit with many consumer-facing businesses closing entirely leading to a forecast of a drop in quarterly GDP of at least 7 per cent.

In the UK, March retail sales fell more than 5 per cent, the biggest drop since records began. With unemployment increasing and many workers on furlough, consumers are also being much more careful with their spending as consumer confidence falls to levels not seen since the financial crisis.

BONDS: ECB HINTS AT INCLUDING HIGH YIELD IN BOND BUYING SCHEME

The European Central Bank has expanded the terms of its bank liquidity scheme by allowing high yield bonds to be used for collateral for the first time. The ECB held an emergency meeting last week to relax the requirement that bonds used as collateral need to be investment grade.

The temporary measure is set to expire in September and covers 'fallen angels' or former investment grade bonds which have recently been downgraded. The relaxation is just for corporate bonds. The ECB has already granted a separate exemption for Greek sovereign debt.

The ECB has stopped short of the measures taken by the US Federal Reserve which last week extended its programme of corporate bond purchases to include fallen angels. With the ECB pledging "if and when necessary, to take additional measures to further mitigate the impact of ratings downgrades", there is speculation that it may soon follow the Fed.