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Some positive news at the end of the month

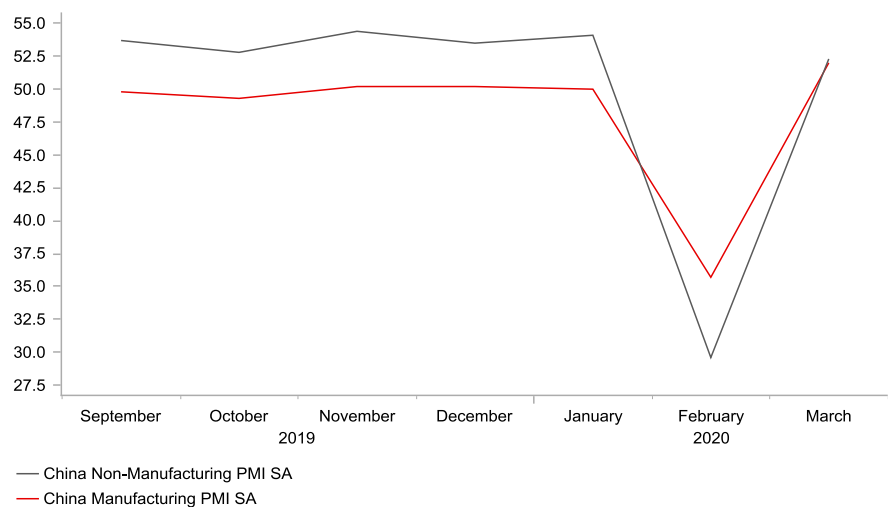
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CNY & EUR: China PMI surveys & Europe COVID data offer glimmer of hope

The yen has weakened modestly during the Asian trading session alongside the ongoing rebound in US equity markets. The S&P 500 index has risen by almost 20% after hitting an intra-day low of 2,192 on the 23rd March, although it still stands around 23% below the peak recorded on the 19th February. The decisive action taken by global policymakers has helped to improve global financial market conditions at least in the near-term. There has been further positive economic news overnight from China. The release of the latest official PMI surveys added to broader evidence that activity in China has started to rebound. The official manufacturing PMI bounced back more sharply than expected to 52.0 in March after plunging to a record low of 35.7 in February. The non-manufacturing PMI also rebounded impressively to 52.3 in March up from 29.6 in February. It helped to lift the composite PMI back to where it was prior to the COVID-19 shock at 53.0 in March. It does not mean though that output is now back to its pre-COVID-19 trend rather that activity has improved

CHINA PMI SURVEYS SIGNAL PICK-UP IN ACTIVITY



Source: Bloomberg & Macrobond

modestly compared to the acute weakness in February. China still faces headwinds from weak foreign demand. Nevertheless the surveys are still encouraging and offer hope for other major economies currently in lockdown.

It follows good news from Italy yesterday with regards to the spread of COVID-19. The number of new COVID-19 cases in Italy increased by the smallest amount in almost two weeks by 4,050 compared to 5,217 on the previous day according to the civil protection authorities. The daily rate of change in new cases yesterday was just 4.1% and has averaged just 6.5% over the last five days. At the start of this month the daily rate of change was over 20%. It shows clearly that the lockdown measures are helping to slow the spread of COVID-19. A view shared by the WHO that Italy and Spain are approaching a peak. The Italian government can take encouragement from these figures but they have signalled that they will not be complacent in combating COVID-19. The Italian Health Minister has announced that the current containment measures will be extended until at least Easter from the 3rd April. Overall, the positive developments support our long AUD/CAD trade idea recommended in the latest FX Weekly ([click here](#)).

USD: Speculation over a fourth round of fiscal stimulus is already underway

The US government has just passed a record stimulus package of around USD2.2 trillion, and speculation is already underway over a fourth round of stimulus measures. Bloomberg has reported overnight that White House officials have compiled lists of requests from government agencies totalling roughly USD600 billion according to people familiar with the matter. The proposals reportedly include more state aid as well as financial assistance for mortgage markets and travel industries. House Speaker Nancy Pelosi told reporters as well yesterday that the Democrats are “collecting information, taking inventory” on what may be needed in another round of stimulus. President Trump announced yesterday that he’s considering including hazard pay for health care professionals in a subsequent bill.

The third phase of fiscal stimulus was substantial totalling around USD2.2 trillion. It included: i) a USD500 billion fund set up to provide relief for industry through loans and loan guarantees to be overseen by inspector general and a congressional panel, with every loan document made public, ii) cash grants of USD25 billion for airlines (in addition to loans), USD4 billion for air cargo carriers, USD3 billion for airline contractors for payroll support, iii) a USD450 million increase in Fed facility risk capital which can be levered up by Fed to say USD4 trillion, iv) a USD367 billion loan and grant programme for small businesses, v) USD300 billion of payroll relief – employers may defer 2020 payroll taxes for up to 2 years. They will have to pay 50% by the end of 2021, vi) USD300 billion for individual checks – USD1,200 per adult and USD500 per child for households making up to GBP75k, vii) a massive increase of unemployment insurance including expanding those covered to include people who are furloughed, gig workers and freelancers, and by increasing the payments by \$600 dollars per week for four months on top of what states provide as a base unemployment compensation. At an expected cost of above USD100 billion, viii) USD150 billion for state and local governments, and ix) USD130 billion for hospitals, health care systems, and providers. Please see our latest COVID-19 report for further details of the policy responses from the major economies ([click here](#)).

The stimulus package will help to dampen the risk of an even deeper and more prolonged recession in the US, and support the economic rebound. However, it will not be sufficient to prevent a sharp economic contraction at least during the first half of this year. If the COVID-19 disruption proves more prolonged than expected, it will strengthen the case for another round of fiscal stimulus.

KEY RELEASES AND EVENTS

Country	GMT	Indicator/Event	Period	Consensus	Previous	Mkt Moving
GE	08:55	Unemployment Change (000's)	Mar	25.0k	-10.0k	!!!
GE	08:55	Unemployment Claims Rate SA	Mar	5.1%	5.0%	!!!
IT	10:00	CPI EU Harmonized YoY	Mar P	-0.1%	0.2%	!!
EC	10:00	CPI Estimate YoY	Mar	0.8%	1.2%	!!!
EC	10:00	CPI Core YoY	Mar P	1.1%	1.2%	!!!
CA	13:30	GDP MoM	Jan	0.2%	0.3%	!!!
US	14:00	S&P CoreLogic CS 20-City MoM SA	Jan	0.4%	0.4%	!!
US	14:45	MNI Chicago PMI	Mar	40.0	49.0	!!!
US	15:00	Conf. Board Consumer Confidence	Mar	110.0	130.7	!!!

Source: Bloomberg

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