



# Market Data Insights

## This Month in Brief

While COVID-19 remains, several countries are experiencing falls in daily new infection rates due to successful implementation of prevention measures. This is combined with significant stimulus measures, such as the UK government's Coronavirus Job Retention Scheme, which was designed to help reduce the damage caused by the lockdown measures put into place. The UK government declared that the country has passed the peak of the pandemic and has begun thinking about how best to ease lockdown measures and re-open sections of the economy, leading to positive sentiment among the markets. As a result, markets rebounded in April, offsetting some of the severe shocks experienced in March.

Several businesses have prudently decided to cancel or suspend dividend payments until they have greater clarity on how long lockdown measures will be in place, and therefore can better assess their cashflow requirements. Despite some businesses seeing increases in profits over the first quarter, many have announced cuts to their dividends in April in an attempt to improve their balance sheet position.

Forecasters continue to mention the possibility of a "V-shaped" recovery with a fall in real GDP of 5.2% in 2020, followed by a growth of 4.3% in 2021. However, considerable uncertainty remains over the trajectory of the economic recovery in the coming months as this is heavily reliant on the extent to which economies can successfully reopen. There are a range of possible outcomes for the global economy over the course of 2020.

## Credit Spreads for April

AAA	AA	A	BBB
<b>55.0</b>	<b>105.0</b>	<b>176.0</b>	<b>261.0</b>
▼ 9.8% MoM	▼ 21.1% MoM	▼ 23.5% MoM	▼ 17.4% MoM

An asset's 'credit spread' is the difference between its yield and that of a Government issued bond of similar maturity. It is as an indicator of the perceived riskiness of the asset – how much investors want to be rewarded for investing in it instead of a lower risk Government bond.

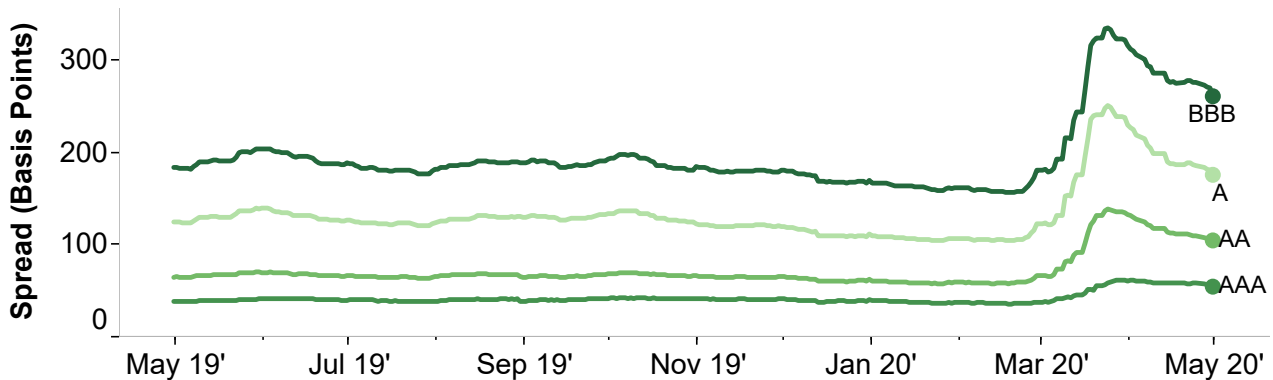
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The large figures above show the position at the end of April, and the small figures show the percentage difference between this and the position at the end of March.

The graph shows credit spreads of different rated corporate bonds over the past year. Yields fell over April, following the significant rise in March but remain elevated relative to levels in February.



But, putting this in perspective, spreads remained considerably lower than post 2008 financial crisis, and even the consequent European sovereign debt crisis of 2011, as shown in last month's credit spreads graph.

## Inflation

The Consumer Price Index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services. CPIH is similar to CPI, in that it also measures inflation but it also includes a measure of owner occupiers' housing costs.



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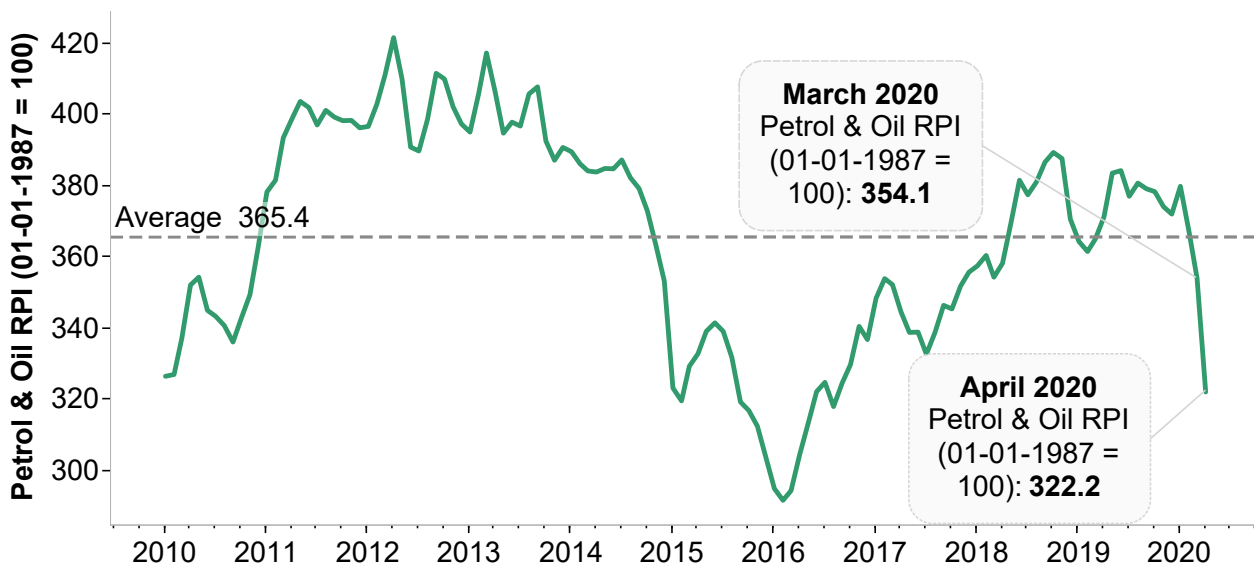
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Falling energy and fuel pump prices resulted in the largest downward contributions to the change in CPIH inflation between March and April 2020.

The national lockdown has resulted in a significant number of businesses and schools closing their doors over the past couple of months. This has led to a sharp reduction in demand for utilities which is one of the key components of the CPIH index. In addition to this, we have witnessed a fall in the contribution from clothing and footwear to the CPIH due to the closure of high street stores. Prices in this category fell by 2.8% in the year to April 2020.

## Petrol & Oil Prices

The price of oil has been steadily falling from Jan 2020 - Apr 2020. The COVID-19 related restrictions have resulted in the decline of major economies and travel, decreasing the demand for oil. It has been reported that the cost of petrol in the UK is approaching £1 a litre for the first time since 2016. However, the effects of the government's decision to slowly ease the lockdown and travel restrictions may result in a change in the petrol and oil price trend next month.



Average petrol prices fell by 10.4 pence per litre between March and April 2020, which was the largest monthly fall since the series began in 1987.

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