

US: Trump talks tough...

A travel ban for Europe and measures to support workers and businesses may help to mitigate some of the strains, but markets won't show relief until we get better news on Covid-19



President Trump has announced a package of policy measures to try to insulate the American population and its economy from Covid-19. The headline measure is to ban travel from Europe for 30 days (excluding the UK), from midnight Friday. There is the obvious question as to whether people can travel from continental Europe to the UK before onward travel to the US. Presumably more details will follow, but this will have an economic cost due to the business and tourism linkages between Europe and the US.

The President has also proposed relief for ill or quarantined workers in terms of sick pay, which is similar to what the UK announced on Wednesday plus capital and liquidity measures to support small firms affected by the virus amounting to an extra US\$50bn. He also announced some credit/liquidity measures including the prospect of some interest-free loans direct from the government that could be worth up to US\$200bn.

Mitigation, not salvation

President Trump again pushed his payroll tax cut plan, [which we discussed yesterday](#)

Our main issue with this proposal is that it benefits higher-income households and doesn't directly impact those most vulnerable - the elderly and those out of work who are not on payrolls - admittedly the support for sick workers may mitigate here.

The combination of precautionary measures and fear are driving the outlook for the economy and that won't change until the prognosis for the virus changes. All that today's measures can do is mitigate some of the strains on the economy and financial system. Further Fed rate cuts are likely with the market pricing 75bp of easing on Wednesday, but this is unlikely to prevent the economy from experiencing both negative GDP growth and negative consumer price inflation in 2Q20. With uncertainty set to linger, we continue to see downside risk for treasury yields.

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