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Future Money Coronavirus Views

Rishi Sunak, Chancellor of the Exchequer, has been writing cheques left, right and centre over the last couple of weeks, but one portion of the economy had been left behind. Self-employed workers had received little access to the wall of money coming out of 11 Downing Street as there was no straight forward way to provide support in any significant way. Things changed yesterday, however, as the government launched a scheme to cover 80% of self-employed profits up to £2,500.00 a month, calculated on average historic tax returns. On paper this is as close as possible to like for like support to that which was announced last week for employed workers. While there are obvious floors in the policy, such as grants being available to individuals whose work is unaffected by coronavirus and there being no support for individuals who have recently set up as self-employed, this seems the best solution available. This appears to be the final piece in the puzzle of the Chancellor's strategy to tackle this crisis, for now. By aiming to keep the vast majority of workers with regular incomes, the hope is that the lasting economic damage caused by the current crisis can be minimised.

Now that the government and Bank of England have set out the support that is required, it appears that we are at the stage where we have to batten down the hatches and await the storm that is coming our way. As businesses lose revenues, the missing multiplier effect will leave huge gaps in the domestic economy but the extent of this will only become apparent through time. Clearly the leisure industry has already ground to a halt, but now we are seeing it affecting other sectors to. Estate agents have now been frozen out of their revenue potential, with the UK housing market shut down as banks could no longer appropriately value houses and the government does not want house viewings to continue given the social proximity this would create. Financial markets may have moved quickly so far in this crisis, but the true economic cost will take much longer to appear.

Mainly thanks to the $2tn US support package announced earlier this week, global stock markets had experienced strong gains over recent days, however this has taken a turn for the worse again. Cautionary profit taking ahead of the weekend amongst traders will be one factor in this, but fear over the ultimate scale of this crisis is another factor, as the USA heads ever further into the pandemic.

While the financial support is now there for American businesses and individuals, it appears likely that they will face a huge challenge in controlling this disease amongst its population. While lockdown measures are now in place across much of Europe, the US is still reticent to follow this lead. Deep within the American psyche is the liberty of the individual and it remains to be seen whether the draconian controls over everyday life, which appear key to restricting the spread of the virus, will be accepted by the average American. With this, cases of the coronavirus in the US will likely increase exponentially for a long time to come yet, and with the country already surpassing China for the total number of cases experienced, then the hit to the American economy is likely to be extremely large and persistent. With this, there is the potential for financial markets to remain in a state of fear for some time to come.

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