

Another buying opportunity?

Most dips in equity markets are met with rapid buying and a rally, so is there anything different this time?



Having sat through a number of recessions and crises in a professional capacity over the nearly 30 years I have done this sort of thing, I've taken on board a number of life lessons. One of them is the resilience of equity markets. The psychology of most equity investors is intrinsically optimistic. Each new bout of bad fundamental news can herald a further life-giving dollop of liquidity from the central bank. And it really takes the realization that one is standing on the edge of the abyss, with no remaining safety nets, for real and protracted selling to set in. Indeed, as each new crisis and recession is met with ever more willing and often able central banks to pick up the slack, that tendency to keep looking through any bad news has tended to grow over time.

Regular readers (if there are any of you?) will know that I have been quite disparaging about the recovery of (in particular) US equities since their March 23 trough. I have smacked my head in exasperation as it rallied in the face of more than 20 million payrolls losses this month, or on every ill-conceived and non-credible rumour of an effective treatment for the Covid-19 virus. Re-opening of economies was another factor to cause optimism-led buying. Second wave risks were just something to brush aside. V-shaped recovery is implied by the relatively small earnings declines suggested by equity pundits. You can't blame the dismal scientists for this as for once, we are virtually united in our view that this recovery will be any other shaped than V.

But like so much else in life, in the end, it doesn't matter what we (and especially I) think. Just as it doesn't really matter what the facts are in this post-truth world. What really matters is whether or not the equity investor community still has that inherent optimism, and is willing to look through every knock to their view as a temporary setback that will get nursed back to health by more policy band-aids.

So in this respect, it is worth asking, have the recent comments by Fed speakers downplaying the likelihood of negative rates in the US shut the last door for further discount rate cuts? Maybe. And is the prospect of any further fiscal stimulus also dimming? Probably. Are there also genuine concerns about the impact of premature reopening of the states? There should be. And further afield, similar concerns could be levied at the prospects for ongoing ECB stimulus given the recent unhelpful intervention by the German Constitutional Court. Though the recovery in European stocks has been far less striking.

The bigger question is, is all this enough to result in more than a one or two day dip in stocks...? And from what I've picked up along the way, I honestly wouldn't bet on it, no matter how supportable a proposition that would seem to be.

RBNZ - no need to do anything

With Covid-19 the single biggest driver for economic prospects in any economy these days, New Zealand finds itself in the enviable position of appearing to have their outbreak well under control, and re-opening measures for the economy proceeding. Like all small open economies, New Zealand will face headwinds in the months ahead. But as an exporter of primary produce at a time when food supply chains have been heavily disrupted, this might not turn out to be such a strong headwind after all for them.

So having sounded open-minded to a number of policy options in recent months, including negative rates, we don't think Governor Adrian Orr will feel the need to do anything radical at today's Reserve Bank (RBNZ) meeting. Most likely, he will downplay the optimistic recovery view and stress the options still available to the central bank if things take a turn for the worse. But perhaps like recent US Fed speakers, if he suggests that negative interest rates in New Zealand are looking a little less likely, the NZD could see some near-term support.

Asia today

This morning, we've already had South Korean Unemployment for April, which was surprisingly good, remaining unchanged at 3.8% of the labour force.

Prakash Sakpal writes about the other developments and scheduled releases in our region today:

"India: Prime Minister Narendra Modi has announced INR 20 trillion (10% of GDP) stimulus package to help the economy weather the Covid-19 storm. The details are yet to be out but the package aims to support businesses, workers, and financial system liquidity. It also contains previously announced measures, including the monetary stimulus by the central bank (RBI). The announcement is a big push to an otherwise anaemic initial move comprising only 1.3% of GDP fiscal support and 2.4% of GDP RBI liquidity boosting measures. However, with rapidly rising Covid-19 infections (current count 74,292) it's a long wait before the economy responds to the stimulus.

Malaysia: 1Q20 GDP is due today. The consensus is centred on a -1% YoY growth. We are more bearish with -4.2% forecast, the worst in over a decade. The political turmoil overthrowing the Mahathir government in late February, the Covid-19 lockdown since mid-March, and plunge in the global oil price – all came crashing down on the economy. Surprisingly exports and manufacturing eked out small yearly gains, but services including retail, transport, tourism, etc. likely took a strong beating. On the spending side, it should be an across-the-board dip in consumption, investment, and net trade. The first-quarter GDP doesn't capture the full impact of Covid-19, which is for the current quarter much which is gone in movement restrictions (now extended until 9 June). We doubt aggressive fiscal and monetary stimulus would be effective in arresting more steeper GDP fall in 2Q (ING forecast -6.6%).

Singapore: The authorities announced the suspension of operations of one more airport terminal, Changi Terminal 4, from 16 May. This follows the suspension of operations of Terminal 2 started on 1 May for 18 months. These moves provide a glimpse into a prolonged economic gloom ahead. With policy stimulus maxed out, hopes are pinned on the pandemic ending for the stimulus to kick-start the economy".

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi
Economic research trainee
kinga.havasi@ing.com

Marten van Garderen
Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@ing.com

Michiel Tukker
Senior UK & Eurozone Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Senior Economist, Healthcare & Technology

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Deputy Global Head of Editorial and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporate Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com