

Central banks stand ready

A hint from the Fed Chairman, Jerome Powell last Friday suggests that rate cuts from the Fed (at least) are on the way (ECB is being a little more hesitant). But it is acts of financial forbearance - debt relief and forgiveness - being practised in China, that is really needed in what is ultimately a cash flow problem



Monetary paracetamol

Following what was about an 11% sell-off in equity markets last week, Fed chairman, Jerome Powell, said on Friday that the Fed would "use our tools and act as appropriate to support the economy".

That has been taken as a fairly clear indication that the Fed will cut rates at their March 18 meeting. But that is still weeks away. So could it mean sooner? You can't rule it out. The BoJ already seems to be getting ready for action as soon as today, with stories circulating on the news wires suggesting that the BoJ will be more active in supporting the market and extending special loans to support bank loans to companies. Will the ECB, the Bank of England and others join? And, more importantly, will it do any good?

Well so far, there isn't much from the ECB to support the idea of a coordinated reaction. The last comments we got from Europe involved ECB President, Christine Lagarde trying to pressure

Germany to provide some fiscal support. In terms of the ECB though, it was more of a case of "we're monitoring the situation closely, but it is too early to move yet" (our summary). Fairly standard Euro-sluggishness, though more worrying given that Europe now seems to be the new hot zone in terms of the Covid-19 virus spread.

Its all about cashflow

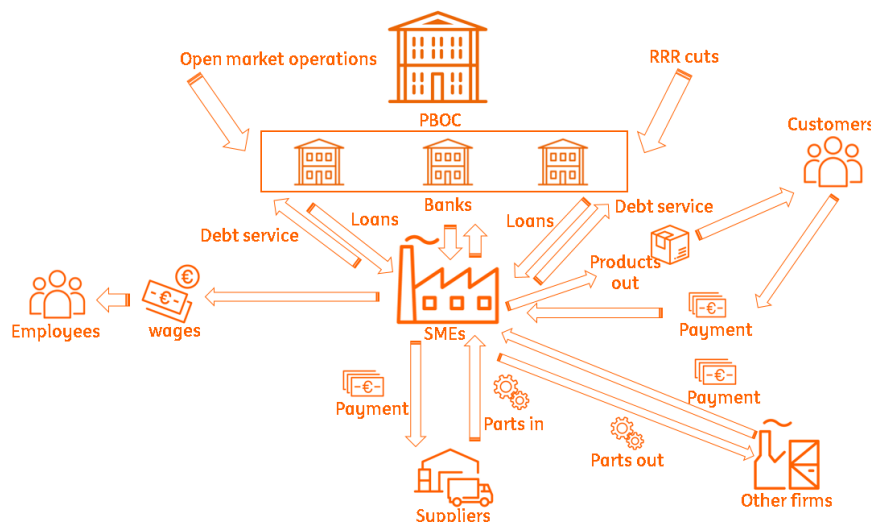
The infographic below was drawn by me, which is why it is rather messy. I will be asking my more talented colleagues for some help shortly. But it still helps to describe the problem facing economies in the throes of a Covid-19 infection. It's drawn with China in mind, hence the labelling of PBoC at the top, but you could insert any central bank here.

At the heart of the diagram are SME's. They need to keep paying wages to their employees (left-hand side) and to suppliers (bottom) and debt service to banks (top). Out to the right, products are sent, or rather, are no longer being sent to end-customers and to other producers. And in consequence, there are no earnings coming back.

What this shows is that a rate cut only helps a little bit, by easing debt service costs. But it does little if anything to solve the bigger problems of cash flow interruption. This is where the BoJ's special loans (if accurate) and the PBoC's suggested easing of banks' response to late or delinquent loans is closer to what is needed.

So rate cuts from the US may come and they may even be off-cycle - who knows. The market will rally. But the virus won't care. And most corporations squeezed by the epidemic won't get much relief. And the rally won't last. We've moved from buy on dips to sell on rallies.

Cash flow infographic



Source: ING
Cash flow infographic

Quite a weekend

We've already had a raft of PMI data out across the region this morning, and not all of it terrible, unlike the Chinese PMI data out over the weekend. [Iris Pang wrote up that data in the attached](#)

[note](#) and is now hard at work looking at how much to slash from her GDP forecasts. Industrial production and Fixed Asset investment figures will be instructive in that process

And it has been an exciting weekend for Malaysian politics too, which has led to Mahathir Mohamed losing his job as PM. [Prakash Sakpal has this covered here, ahead of tomorrow's expected BNM rate cut.](#)

In the G-7, the weekend gave us a big win in South Carolina for Joe Biden in the Democrat nomination race. Pete Buttigieg has dropped out, providing Biden with more room in the centre to take on Bernie Sanders. It's Super Tuesday tomorrow, remember.

And today, we are likely also to hear some less than constructive comments from the EU and UK as they meet to actually discuss what sort of trade deal is possible. It won't sound pretty. But that is to be expected at this stage of a negotiation. It might not provide much support to the GBP, or EUR though.

Author

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@asia.ing.com

Michiel Tukker
Senior European 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
Sector Economist, TMT & Healthcare
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@asia.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

Senior Editor 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

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

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 Corporates 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 Klokk

Senior Economist, Netherlands
marcel.klokk@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

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@asia.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, Germany, 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