Easing, and earnings

A quick synthesis of all the news headlines today suggests that it is all about forthcoming earnings (bad surely, just how bad?) and easing of restrictions. This could go well, or very badly

New York

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Markets await earnings data

Earnings season apparently kicks off this week, with US banks and Financial firms reporting their results. Markets are understandably a bit edgy ahead of these releases. For many of course, the brakes were slammed on hard in mid-to-late March, when State of Emergencies morphed into stay-at-home notices. Eyeballing the relevant Wikipedia page, the median lockdown date looks like March 24/25 (I will do it properly later), so really only one week will be hit really hard. 2Q20 will surely be worse than whatever these numbers show?

Easing?

The other story that is repeated in various forms this morning is that of easing movement restrictions. France's Macron is extending the French lockdown, but formulating a plan for lifting their lockdown. The UK seems on course to extend its own lockdown. A date of May 25 is being floated by some as a possible date for a partial lifting of restrictions. The US seems to be making heavy-weather of its own attempts to ease restrictions, with State Governors aiming to coordinate any easing, whilst President Trump is adamant that only he has the power to do this. And India's

Modi will make an announcement about the Indian lockdown later today - surely a further extension given the direction of their new-infections?

The easing story is highly relevant since it is these lockdowns themselves, rather than the virus, that are generating such a massive economic hit to countries around the world. A successful and early end of restrictions is therefore a very positive development, and in some cases, will be warranted by falling new case numbers and a peaking of active cases - taking pressure off stretched care facilities. That should not only lift economic prospects, but it will also provide substantial support to markets

Get it wrong though, for example by moving too early, and more of your population dies than necessary. It is not the sort of decision to be taken lightly.

Quiet day after the break

Following the extended weekend, we have Bank Indonesia, with a tricky call on whether they can get away with another rate cut or not. The gut-feel of Nicky Mapa, who covers Indonesia for us, is that they will probably err on the side of caution, given the issues they have had supporting the IDR and their bond market.

Iris Pang in Hong Kong writes this on recent China data "On 10 April, the PBoC published March data on lending. Loan growth was CNY2.85 trillion, which was not so surprising under the circumstances, but net issuance of corporate bonds jumped by CNY995 billion, a jump never before seen since the onshore bond market started running. This kind of increase in credit growth implies borrowers 1) are taking advantage of low interest rates for operational use; 2) expect to face liquidity tightness from future repayment needs; 3) expect their buyers cannot repay their outstanding invoices. All of which signals that the Chinese economy is facing headwinds from domestic as well as external demand. Recovery will take time".

China also releases trade data for March today. This will show a large year-on-year decline, the only question is, how large...?

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