

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

Source: Shutterstock

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...?

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.