

US: the first wave

The preliminary March reading of University of Michigan confidence gives us the first consumer response to the coronavirus crisis. It was a hefty fall, but not as bad as feared. More big declines are likely in the wake of the equity market plunge and the disruption to daily lives



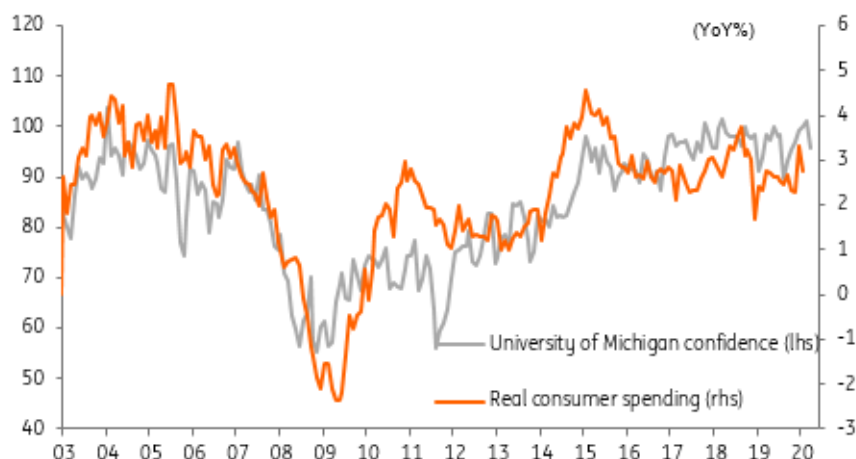
Confidence takes a hit

The March preliminary reading of consumer confidence fell to 95.9 from 101.0, which was understandable given the deteriorating newsflow relating to Covid-19 and the falls seen in equities. Nonetheless, it wasn't as bad as feared - the consensus was 95.0. Further falls are likely for the final reading though given the roller coaster ride in equities and concern over the uncertain government response while the huge disruption containment measures imposed by employers are starting to cause to daily lives. The cancellation of all sporting events and the long queues at grocery stores - I spent 90 minutes in Wholefoods in midtown Manhattan from 7:15am this morning just picking up a basket full of goods - is not going to bring any cheer.

The read through to consumer spending is difficult to determine at this stage, but any strength in the grocery sector is going to be more than offset by weakness in travel/accommodation/leisure etc. We continue to look for a sharp downturn in consumer spending through 2Q20 - possibly on the order of a 3% annualised decline. This will put immense strain on the corporate sector and as such we expect the Fed to "go big" next week with a strong probability they cut rates down to

zero and formally restart QE.

Confidence and spending



Source: Macrobond, ING

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