

Between the lines

Week 16



US 'big six' banks shiver in lockdown

A cold blast from the 'big six' US banks opened US reporting season this week.

By Thursday morning (16 April) five of America's biggest banks – JPMorgan, Wells Fargo, Bank of America, Citigroup and Goldman Sachs – had already reported with results from Morgan Stanley expected later on Thursday.

In general, revenues were savaged while provisions for bad debts from credit card borrowers and hard-bitten oil and consumer-facing companies leapt.

Among the numbers, JPMorgan reported a 69% plunge in profits alongside an \$8.3bn provision for bad loans after recently adding an additional \$4.3bn in new reserves due to new accounting standards.

Quarterly profits tumbled 48.5% at Bank of America, which set aside \$3.6bn for bad debts.

Elsewhere, Wells Fargo set aside \$4bn and Citigroup made a 70% increase in provisions to \$20.8bn. Goldman Sachs, meanwhile, posted better results but still more than doubled its bad debt provisions.

As Quilter Investors' head of trading, Maz Alamouti, observes, "Despite some epic falls in the earnings reported so far, investors have been reassured by the huge increase in capital provisions that the banks have been quick to implement and this has helped to stem further share price losses this week.

"However," he warns, "this is just a first glimpse of where we're headed. The first quarter earnings numbers include January and February, which was before US government lockdown measures began in earnest.

The next quarter will show the real cost of the coronavirus as the banks contend with the damage sustained by consumer-facing businesses, US interest rates that are at close to zero and spiralling US unemployment."



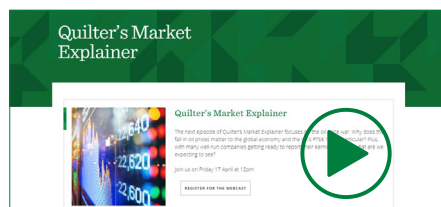
IEA: April oil demand could hit 25-year low

The International Energy Agency (IEA) has warned April could be the worst month ever for the oil industry as it forecast demand to fall by 29m barrels per day (bpd) in April, reaching levels last seen in 1995.

In its monthly oil report the IEA warned the deal agreed by OPEC+ members - a group of 24 oil producing nations - this week to cut production by 9.7m bpd from 1 May was a "solid start" but warned it would not immediately rebalance the market.

It forecasts further declines in demand in May and June noting that "there is no feasible agreement that could cut [oil] supply by enough to offset such near-term demand losses."

However, the IEA acknowledged the decisions to cut production "should help bring the oil industry back from the brink of an even more serious situation than it currently faces."



Quilter Market Explainer

In response to the severe market volatility that has accompanied the outbreak of the global coronavirus pandemic, Quilter has launched the Quilter Market Explainer, a special weekly webcast for advisers and clients.

All our previous broadcasts in this series are available on demand, please click on the play button above.

Today's *Explainer* aired at midday and featured Stuart Clark from Quilter Investors, alongside Chris Beckett and David Henry from Quilter Cheviot explaining why the fall in oil prices matter to the global economy and, in particular, the FTSE 100, and what investors should expect from the first wave of earnings results. [Click here to listen to the recording.](#)

These webcasts now run at midday every Friday throughout the virus lockdown period. See your inbox for details of how to sign up or follow us on our social media channels.



Keep your head: the seven golden rules of investing

In March, stock markets suffered their two biggest one-day drops since the 'Black Monday' crash in 1987. Two weeks later, the US Dow Jones index saw its biggest one-day gain since the Great Depression in 1933.

This underlines what long-term investors already know; namely, that markets invariably recover from short-term disruptions and reward those who can ride out the bumps along the way.

Our top seven principles for keeping your head when all about you are losing theirs: **1** Get advice; **2** Make an investment plan and stick to it; **3** Invest as soon as possible; **4** Don't just invest in cash; **5** Diversify your investments; **6** Invest for the long term; **7** Stay invested.

Remember: Investing with a long-term outlook and with long-term goals is the best way to reduce the impact of stock market fluctuations and to see out periods of volatility.

Important information

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back any of the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares. Exchange rate changes may cause the value of overseas investments to rise or fall.

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