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By Nick Beams
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Turbulent week on Wall Street ends with market surge

Wall Street ended one of its most turbulent weeks in the post-war period with surge of more than 9 percent yesterday, following its worst day since the Black Monday crash of 1987 on Thursday.

Most of the market rise came in the last hour of trading, during the press conference by President Donald Trump in which he announced a series of measures to deal with the coronavirus that are primarily aimed at providing a boost to corporations, especially pharmaceutical companies.

In addition to the belief there is money to be made out of the coronavirus, another reason for the surge was Trump's announcement that he had ordered the Department of Energy to buy oil for the Strategic Petroleum Reserve. This will provide a boost for shale oil companies hard hit by the price war launched by Saudi Arabia at the start of the week.

Trump also indicated there could be assistance for the airline industry, which has been battered by his decision to impose a 30-day travel ban on entry to the US by people from Europe.

On the financial side, the market was boosted by a further intervention by the New York arm of the Federal Reserve. A day after it had announced it would supply \$1.5 trillion in short-term loans, the New York Fed said it would speed up purchases of US Treasuries of all maturities, not just short-term debt, in operations throughout the day.

It said the purchases were needed to "address highly unusual disruptions in the market for Treasury securities associated with the coronavirus outbreak."

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There were concerns during Thursday's market plunge of a "dash for cash," as investors sold off all asset classes. Normally when stocks fall, bond prices rise, leading to a fall in yields. But during the sell-off, the yield on Treasuries rose as they were being sold off and the price of gold also dropped sharply.

Even with yesterday's surge, the Dow has lost around 15 percent this week. The *Wall Street Journal* commented it was the worst week since 2008, and "one of the worst in history" with some expecting "the punishing stretch of selling to continue."

The Trump administration's moves to boost the market and corporations were preceded by a major initiative by the German government directed to the same end.

Two days after Chancellor Angela Merkel had declared that up to 70 percent of the German population could become infected with the coronavirus, her government announced a major plan, not to tackle the crisis, but to provide assistance to businesses.

Finance Minister Olaf Scholz said the government, through the state development bank KfW, would provide unlimited loans to companies hit by the pandemic.

Describing the measures as a "big bazooka," he said the government would do "whatever it takes" and there was "no upper limit on the amount of loans the KfW can issue."

Economy Minister Peter Altmaier said the measures were "unprecedented in Germany's post-war history" and they were the "most comprehensive and effective assistance and guarantees there have ever been in a crisis."

The German move came as European Commission President Ursula von der Leyen said the coronavirus was delivering a "major shock" to the eurozone economy.

As recently as the beginning of this month, the prevailing view was that for the global economy the coronavirus outbreak would bring a first quarter downturn, followed by second quarter rise as its effects passed. With the lockdown of Italy and the rapid spread of the virus, that assessment now seems like ancient history.

The European Commission warned yesterday that output in the eurozone could fall into negative territory this year and the virus would have a "very large detrimental economic impact." The contraction could be as large as 1 percent of eurozone gross domestic product for 2020, compared with a previous forecast of 1.4 percent growth.

Even before the virus struck, the German, French and Italian economies were on the brink of recession, due to a growing downturn in the manufacturing industry.

Following Trump's announcement of a 30-day ban on travel from Europe to the US, the global airline industry is reeling. In a memo to staff, entitled "The Survival of British Airways," the chief executive of the company, Alex Cruz, has warned of job cuts, suspended routes and grounded aircraft.

According to a report in the *Financial Times*, the company is in discussions with multiple lenders, including the Bank of America, Goldman Sachs and Deutsche Bank, over its need for urgent financing.

"Some of us have worked in aviation through the global financial crisis, the Sars outbreak and 9/11," Cruz wrote in the memo. "What is happening right now as a result of Covid-19 is more serious than any of these events. It is a crisis of global proportions like no other we have known."

Cruz has warned that the airline will be making job cuts but British Airways has not yet specified a number.

Similar warnings have come from other airline companies. Delta chief executive Ed Bastian has said the airline is in discussions with the US government about assistance. Delta has revealed that cancellations have outnumbered bookings for flights over the next four weeks.

"The speed of the demand fall-off is unlike anything we've seen—and we've seen a lot in our business," Bastian wrote in a memo to employees.

Delta is cutting 40 percent of its capacity over the next few months and is parking 300 of its aircraft.

The German firm Lufthansa has announced it will ground two-thirds of its 800 aircraft. Air France-KLM said it had drawn down €1.1 billion of its credit facility and was facing an "unprecedented situation."

Some airlines are expected to declare bankruptcy, with Korean Air and Norwegian Air Shuttle, which specialises in cheaper-priced trans-Atlantic flights, two of the most likely to do down.

The chief executive of Norwegian Air Shuttle, Jacob Schram, summed up the situation facing the industry as a whole, saying his company was facing the "worst crisis in the company's history and the biggest in the country since the Second World War."

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