

AQA

CAPITAL

THE PEAK: ALLA FONTE DEI MERCATI

NO ONE CAN DO IT ALONE



Richie Furst: «What I have to do to get out of it, I cannot do it by myself»

Quote taken by Runner, Runner, 2013, movie directed by Brad Furman

No one can do alone what must be done to get out of the coronavirus crisis. Just as Richie Furst says in the movie Runner, Runner. Economies and National Health Systems need the synergistic action of governments, central banks and all those who could contribute.

In this context, the Federal Reserve has made it clear that it does not want to leave anyone “alone”. Last week, it approved unlimited Quantitative Easing in order to guarantee liquidity and give confidence to investors. To understand the exceptional nature of this decision, it is sufficient to recall that such an intervention was not even taken after the outbreak of 2008 great crisis. Alongside with asset purchases, additional Credit Market supporting actions will take

place. In a statement, the Fed writes: ‘If much uncertainty remains, it has become clear that our economy will face severe trauma. Aggressive efforts must be made both in the private and public sectors to limit jobs and income losses, to promote a rapid recovery once the sanitary emergency will be over».

And, if the Institute led by Jerome Powell has taken such action, the US government does not want to be any less. American President Donald Trump has recently signed a \$2 trillion aid package. After signing, the White House tenant thanked Republicans and Democrats «for putting their differences aside and putting America first». The plan, in its final version, provides for the sending of cheques to US citizens; hospitals will be given over \$100 billion. A \$500 billion Special Treasury Fund will provide loans through the Federal Reserve to the worst affected companies. A further 350 million will go to small businesses. Some sectors will receive ad hoc supports: the airline companies will receive 50 billion, half of them in loans, with the government being able to exchange them into share capital. With these and other measures, the US wants to make it clear that The Economy and The NHS will not be left “alone” to emerge from this crisis.

However, the aids have conditions. Generally speaking, the companies that receive them will not be able to opt for buyback initiatives nor to pay dividends until loans will be repaid. Moreover, the Special Treasury Fund and the Federal Reserve will be monitored by an Inspector General and a

Italy
Via Cavallotti 8
20122 Milano
T. +39 02 36574500

Czech Republic
Pařížská 68/9, 110 00
Praha 1 Staré Město
T. +420 220 950 677

Malta
6, Market Street, Floriana
FRN1082 Malta
T. +356 23479800

www.aqa-capital.com
info@aq-capital.com

Congress' Committee.

In Europe the situation is a little more complex. It seems that not all states have understood that you cannot get out of this crisis alone. Among the main division points, there are the so-called "Corona Bonds". Nine EU countries wrote last week to the President of the European Council, Charles Michel, calling for a rapid intervention. The letter was signed by France, Italy, Portugal, Spain, Slovenia, Greece, Ireland, Belgium and Luxembourg. In the missive it is deemed as necessary to recognize the urgency of the situation and the need for an ulterior reaction to strengthen our economies today, setting them in the conditions to fastly restart tomorrow.

This requires the activation of common fiscal instruments

to support national efforts and to guarantee financial solidarity, especially in the Eurozone. In particular, we need to work on a common debt instrument issued by an EU institution to raise resources on the markets on the same common ground and for the benefit of all Member States, thus ensuring a stable and long-term funding flow to combat the damages caused by this pandemic». Some nations, including Germany, are opposing it; even if, it must be noted, not all German politicians agree: "I support the cause of "Corona-bond". The economically stronger States such as ourselves must help the worse off. It is in the German interest that the Italian economy survive the crisis". This is support offered by Robert Habeck, the leader of the Greens, who today are (according to the polls) the second political force in Germany.



FOLLOW US ON AQA-CAPITAL.COM



www.aqa-capital.com



Disclaimer

This commentary is issued by AQA Capital Limited ("AQA"). AQA is licensed by the Malta Financial Services Authority ("MFSA") and qualifies as a UCITS Management Company and an AIFM in terms of the Investment Services Act (the "ISA"). AQA may also provide additional investment services. AQA is subject to the laws of Malta. For further information, on the services which AQA is authorised to offer, kindly view the MFSA website on www.mfsa.com.mt. Any information, views and opinions published in this commentary is supplied solely for educational and information purposes and should not be considered as an offer, solicitation or recommendation for the purchase or sale of, or effect any financial transaction. The information contained in this commentary does not constitute investment advice, and should not be relied upon to make any investment decision. Furthermore, information contained in this commentary should not be considered as a consultation of any nature, including, consultation about legal or fiscal matters. AQA Capital Ltd. has not verified and consequently neither warrants the accuracy nor the veracity of any information, views or opinions appearing on this website. AQA has no liability to any person for any errors or omissions. The information contained in this newsletter is not to be relied upon by any person. No representation or warranty, whether express or implied, is made, and no liability whatsoever is accepted in relation thereto. Any information contained in the commentary may not be reproduced (either in whole or in part), reworded or copied without prior written consent of AQA.

Italy

Via Cavallotti 8
20122 Milano
T. +39 02 36574500

Czech Republic

Pařížská 68/9, 110 00
Praha 1 Staré Město
T. +420 220 950 677

Malta

6, Market Street, Floriana
FRN1082 Malta
T. +356 23479800

www.aqa-capital.com

info@aq-capital.com