Focus

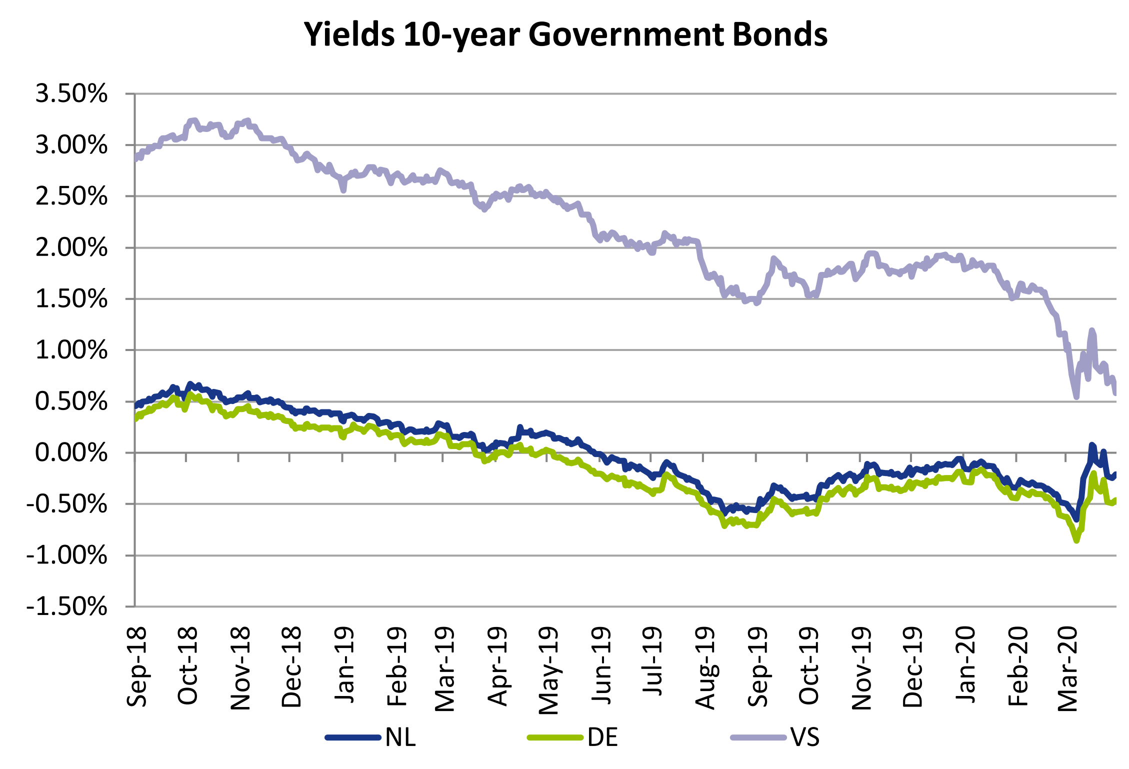
The coronacrisis has major economical implication for the world in both the short and the long term. Central banks such as the European Central Bank (ECB) and the Federal Reserve (Fed) feel the urgency to tackle this new crisis. In this focus piece we will highlight the measures the ECB and the Fed have announced in March and why these are extraordinary.

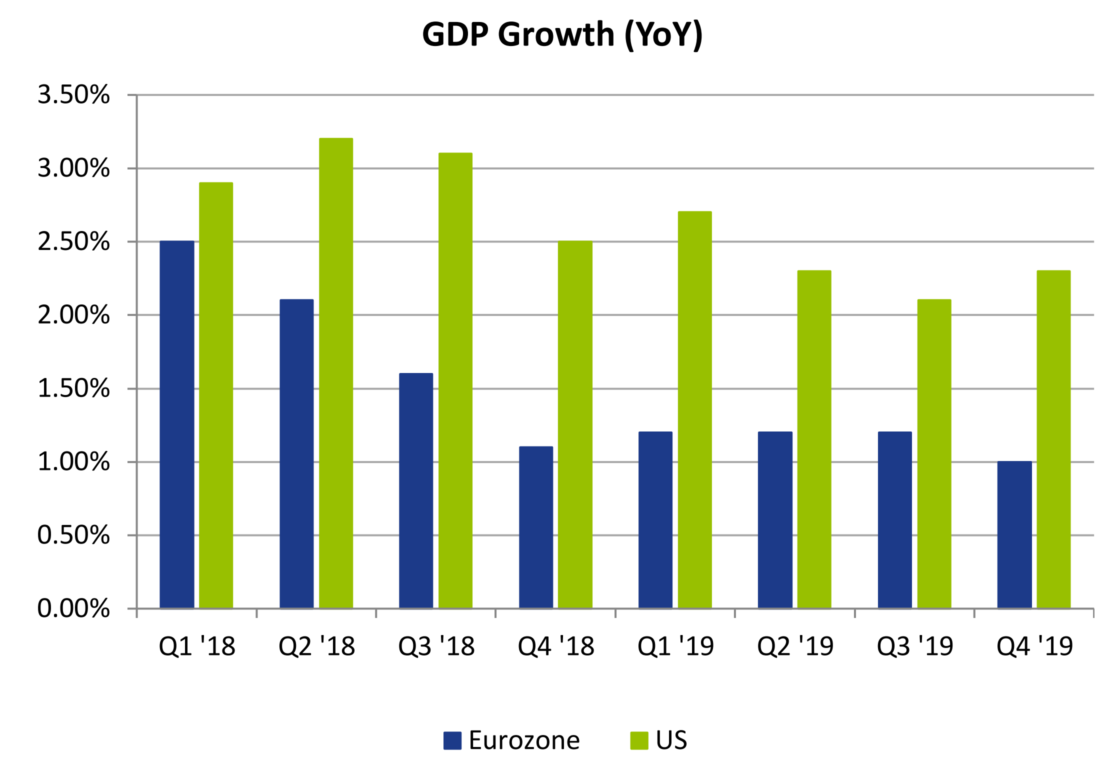
Due to the coronacrisis and the implemented countermeasures economies of afflicted European countries will be hit hard. To absorb these blows there is a need for support on both the local and the European level. On the European level the ECB aims to provide support in multiple ways. The ECB announced in March that it will provide more liquidity to decrease the cost of capital. In addition to an existing purchasing programme of EUR 240 billion, the ECB added an extra envelope of EUR 120 billion. Furthermore, the ECB started the Pandemic Emergency Purchase Programme with an overall envelope of EUR 750 billion, concerning both state and corporate bonds.

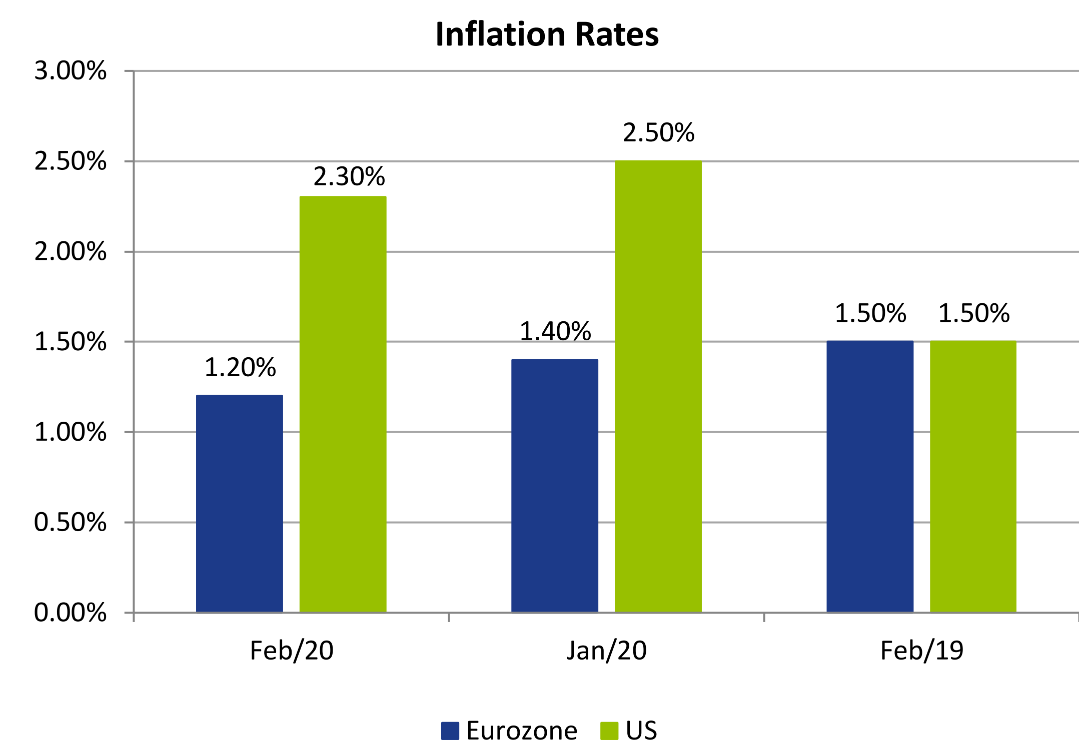
These measures are extraordinary for various reasons. Certain restrictions concerning the purchasing programmes haven been loosened. Previously the ECB could only buy up to 33% of a state's bonds, but it has rescinded this limit. The new policy also allows the ECB to buy Greek bonds and non-financial commercial paper, following the Fed.

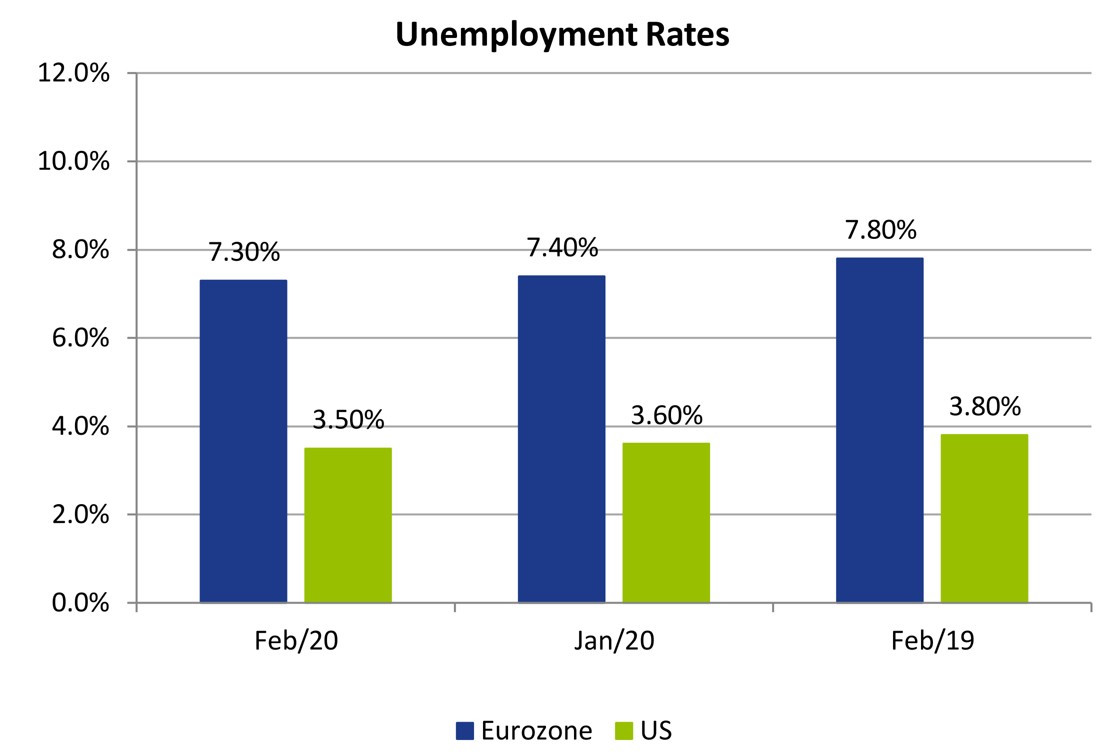
The Fed has reacted to the crisis. On 2 March the Fed reduced the federal funds rate from a bandwidth of 1.50% - 1.75% to 1.00% - 1.25%, to reduce it even further mid-March to 0.00% - 0.25%, the same level as during the 2008 crisis. In addition to the interest rate changes, the Fed started various purchasing programmes ranging from purchasing state obligations to investment-grade corporate debt, but also securities backed by credits to consumers and small business, like student loans and credit card receivables. The Fed has the freedom to purchase as much state obligations a mortgage backed securities as it deems necessary.

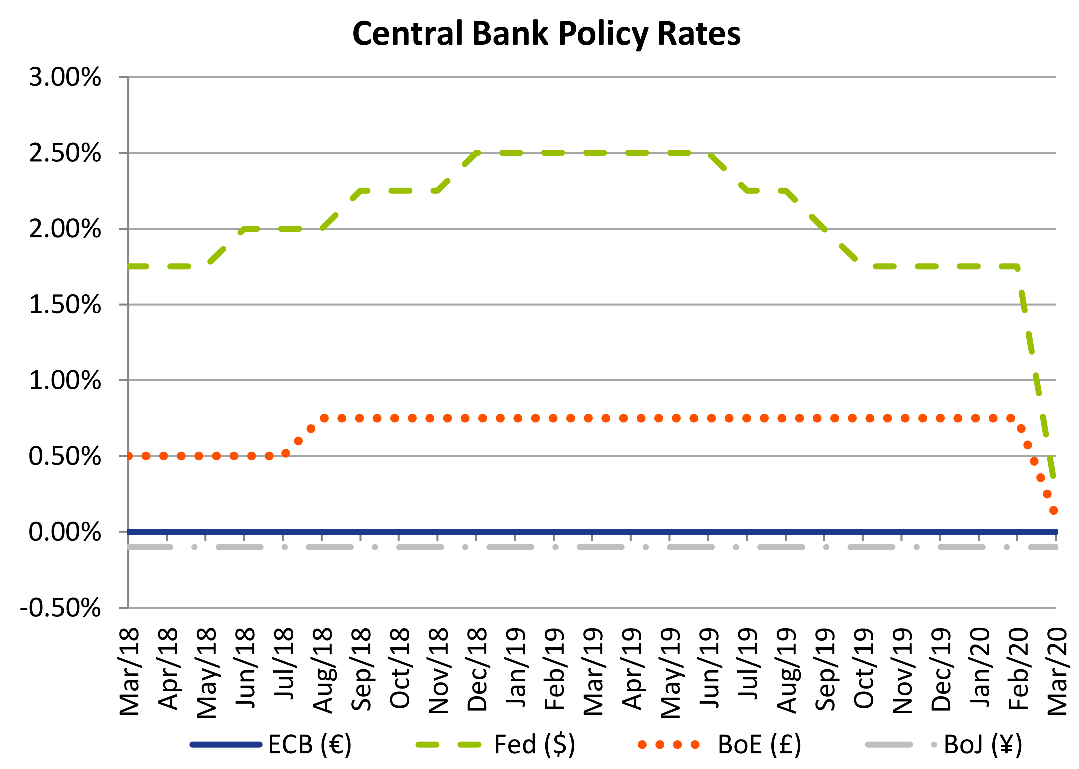
The policies of the two central banks are very intensive and therefor historic, which shows the gravity of the situation. Time will tell if these unprecedented measures will be sufficient.











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA-
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

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Review and outlook

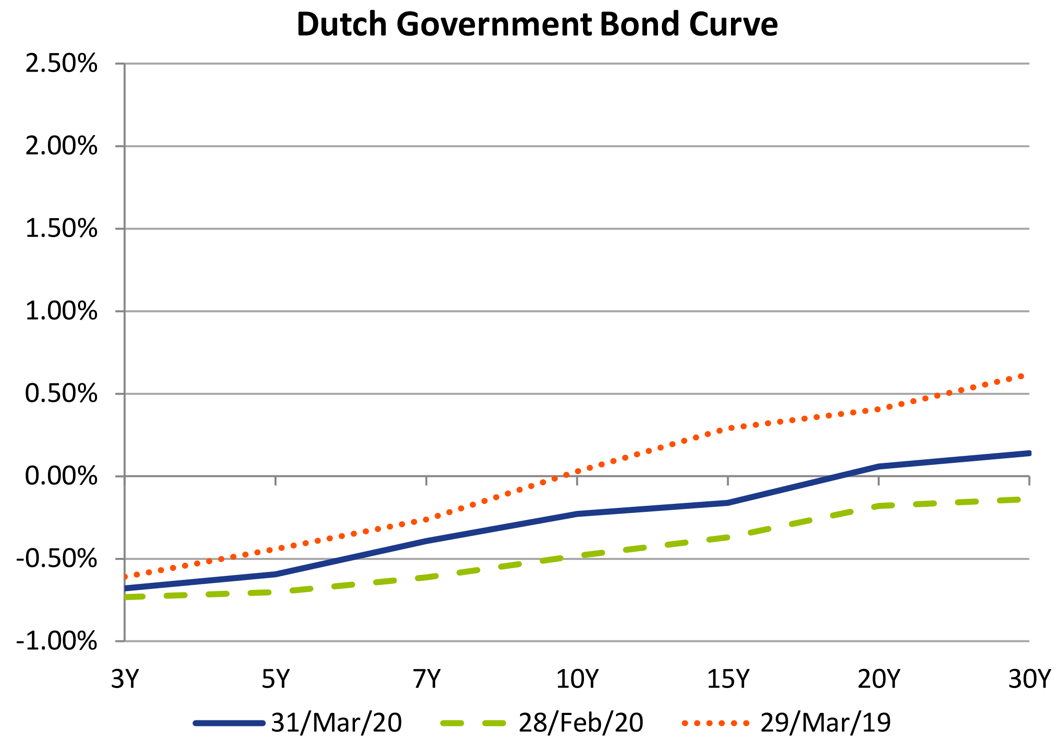
In March 2020, the news was dominated by the worldwide spread of the Coronavirus. Stock markets plummeted worldwide, oil prices fell sharply, and most countries and central banks announced contingency measures fearing a serious impact on their economies. For example, International Monetary Fund (IMF) president Kristalina Georgieva said in a speech that the IMF fears that the corona crisis will cause a recession "at least as bad as the 2008 financial crisis, or worse." According to the IMF, it is important that countries work together as much as possible to protect their populations and to minimize the economic damage caused by the virus outbreak. The IMF has pledged to arrange approximately USD 1,000 billion in loans to support countries in need.

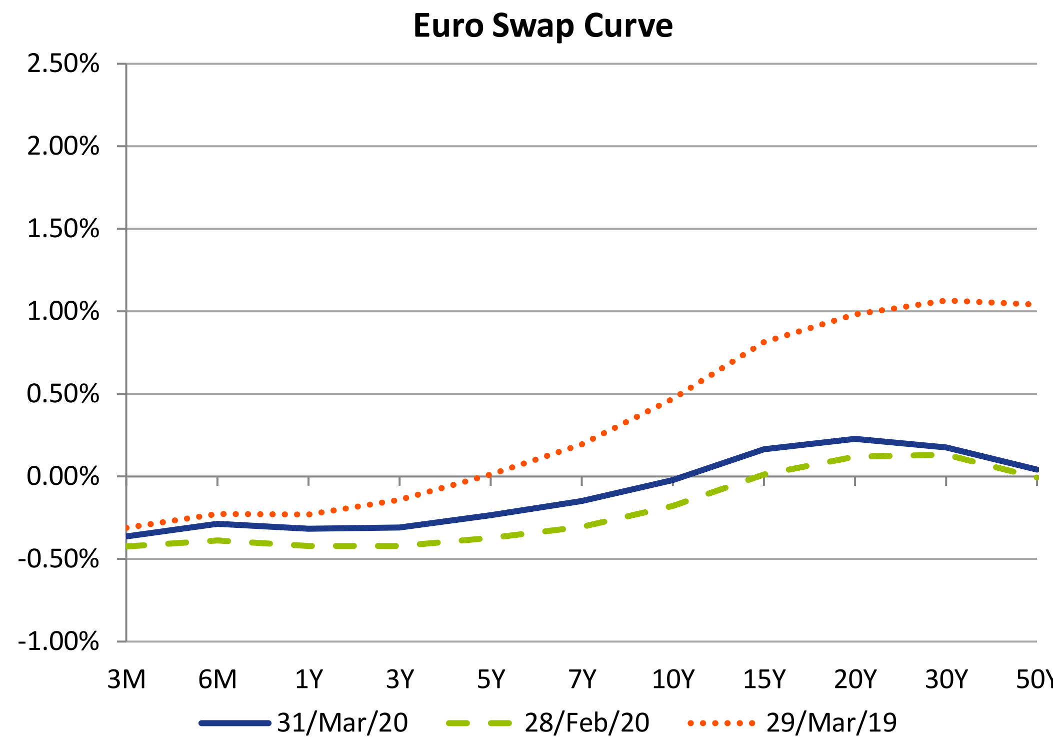
The United States (US), among others, has announced its emergency package, with a total value of USD 2,000 billion. The package was unanimously adopted by the US Senate on March 26. The stimulus package allocates, among other things, USD 867 billion to aid US businesses in distress. In addition, the plans include a one-time payment of USD 1,200 to all Americans with a gross annual income below USD 75,000. The most recent figures for the weekly number of unemployment benefit claims show that approximately 3.3 million Americans have filed a claim as a result of the crisis; six times more than during the financial crisis in 2008.

The Netherlands also presented its emergency package in March 2020. Finance Minister Wopke Hoekstra announced that companies can ask for postponement of tax payments and compensation of 90% of the wage costs of employees if no employee is fired. Also, freelancers are financially supported by means of a benefits scheme. In addition, the government has expanded the Corporate Finance Guarantee and SME credit guarantee schemes. The emergency package, which will initially cost at least EUR 15 billion, is one of the largest aid packages ever in the Netherlands. The government considers the major measures necessary, partly in view of the first estimates by the CPB of the impact of the corona crisis on the Dutch economy. According to the CPB, the economy is expected to contract between 1.2% and 7.7%, depending on how long the corona crisis will continue.

Upcoming publications of macroeconomic indicators

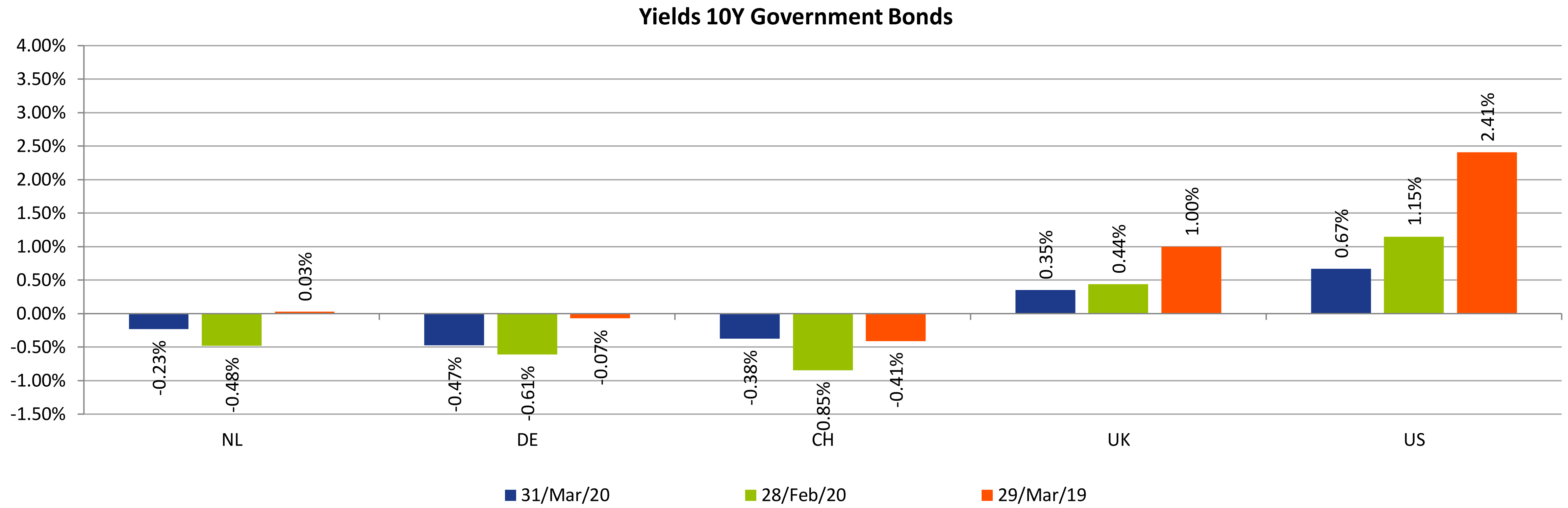
3 April	Unemployment US
10 April	Inflation US
21 April	Unemployment UK
29 April	Interest rate decision Fed
30 April	Inflation eurozone
30 April	GDP eurozone
30 April	Unemployment eurozone
30 April	Interest rate decision ECB





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	A1	A

Currencies	31/Mar/20	28/Feb/20	29/Mar/19
EUR/USD	1.103	1.103	1.122
EUR/GBP	0.888	0.860	0.861
EUR/CHF	1.060	1.065	1.116
EUR/JPY	118.640	118.985	124.350
EUR/DKK	7.466	7.472	7.465
EUR/SEK	10.929	10.584	10.424
EUR/CAD	1.551	1.477	1.497
EUR/AUD	1.799	1.692	1.581
EUR/CNY	7.816	7.710	7.530



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