

Q1 Earnings Announcements Begin
April 14, 2020



Stock rose on the “opening day” of first quarter earnings announcements. The Dow Jones Industrial Average climbed 559 points or 2.4%, while the S&P 500 jumped 84 points or 3.1%. The Nasdaq Composite surged 323 points higher or 3.9%. Investors have looked with trepidation toward the earnings season expecting to get a glimpse of what damage the pandemic and remediation efforts have caused the economy.

China exports for March were slightly less than expected, but the world stock markets saw the small dip as a positive sign that China was recovering and that their numbers should improve going forward. Additionally, agriculture imports from the U.S. to China totaled \$5.08 billion in the first quarter a significant increase from the prior year.

U.S. airlines reached preliminary agreements with the Treasury Department to access billions of dollars in aid. The deal, part of the \$2.2 Trillion fiscal spending bill signed into law March 27th covers all major carriers. The aid represents a temporary lifeline for airlines after the coronavirus outbreak and government restrictions erased all but 5% of daily passenger travel in the U.S. according to Bloomberg.



On the earnings front, it was the tale of two cities, with Johnson and Johnson announcing a monster earning beat, while JPMorgan and Wells Fargo saw profits fall and took a significant provision for future loan losses. Johnson and Johnson posted stronger than expected earnings of \$2.30 per share versus the street estimate of \$2.03. The company gave reduced guidance looking forward due to the uncertain impact of the coronavirus, but management felt good enough about the future to increase its dividend by 6.3%. *Notably, the company’s CEO Alex Gorsky said, “We are committed to beginning production at risk imminently and bringing an affordable and accessible vaccine to the public on a not-for-profit basis for emergency pandemic use”.* Spending money before they have regulatory approval is impressive.



The story was gloomier in the financial sector. The country’s largest bank, JPMorgan Chase, said profits fell 69% as it set aside \$8.2 billion for future defaults – the largest amount since 2010. Wells Fargo saw profits fall 89%. Banks are at the backbone of the economy, so their earnings reports offer clues to just how much damage has been done to the economy. Gratefully, the banks entered this economic crisis with the strongest balance sheets in many decades. The bank reports give credence to the idea that the economic falloff will be steep. The question is how long it will persist.

