This file photo shows the Morgan Stanley headquarters in New York. (AP)

Morgan Stanley Q3 profit rises 25%, helped by trading

Morgan Stanley said Thursday that profit rose 25% in the third quarter from last year, as the investment bank benefitted from a boost in trading revenue as well as higher investment banking fees.

The New York-based firm posted a profit in the third quarter of $2.72 billion, or $1.66 per share, up from $2.2 billion, or $1.27 per share, in the same period a year earlier. The results beat analysts' expectations. The results included a one-time tax benefit of $113 million.

Like other investment banks, Morgan Stanley benefitted from markets that generally moved higher through the summer. Morgan Stanley's stock trading division - the firm's specialty - saw next revenues increase to $2.26 billion from $1.99 billion a year earlier. The bond trading division, smaller than the stock trading operation, saw a bigger jump in revenues in the quarter to $1.92 billion.

Investment banking fees increased modestly. While the fees Morgan Stanley earned from advising companies to do deals declined, fees from underwriting stock offerings more than doubled over the summer.

The firm reported a return on tangible common equity - a measurement of profitability of investment banks that gauges how much they earn on the assets the bank holds - was 15% in the quarter. Typically banks like Morgan Stanley aim for a return on equity above 10%. (AP)

Market Movements 15-10-2020

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+26.82	6,414.19
PHILIPPINES	-	PSEi	+13.03	5,938.33
JAPAN	-	Nikkei	-119.50	23,507.23
GERMANY	-	DAX	-324.31	12,703.75
FRANCE	-	CAC 40	-104.24	4,837.42
EUROPE	-	Euro Stoxx 50	-80.59	3,192.69
S. KOREA	-	KRX 100	-45.64	5,027.29
INDIA	-	Sensex	-1,066.33	39,728.41
PAKISTAN	-	KSE 100	-75.80	40,068.49
CHINA	-	Shanghai SE	-8.60	3,332.18

Business

Group urges private lenders to join its initiative for debt suspension

G20 suspends poor nations' debt payments for 6 more months

WASHINGTON, Oct 15, (AP): The Group of 20 nations, representing the world's biggest economies, agreed Wednesday to extend the suspension of debt payments by an additional six months to support the most vulnerable countries in their fight against the coronavirus pandemic.

The suspension of what the G-20 says could provide relief of $14 billion in debt payments had been due to expire at the end of the year. Wednesday's decision gives developing nations until the end of June 2021 to focus spending on health care and emergency stimulus programs rather than debt repayments.

The G-20 announcement was made initially on Twitter during a meeting of the group's finance ministers and central bank governors, and later confirmed at a news conference. The virtual discussions are being held at the start of this week's meetings of the 189-nation International Monetary Fund and the World Bank, which are also being conducted virtually because of the coronavirus pandemic.

International aid groups expressed disappointment that more debt relief isn't being provided by extending the moratorium on debt payments for a full year or by forgiving part of the debt rather than merely suspending payments.

"This pandemic has laid bare a glaring and unjust double standard: The world's wealthiest countries play by one set of rules, and the world's poorest by another," said David McNair, executive director for global policy at ONE, an international aid group.

G20 officials argued that the relief that is being provided is helping 46 of the 73 countries eligible with efforts under way to expand the help.

Some critics have also complained that China objected to portions of the debt relief plans that have been advanced.

"It is unfortunate that the pressing need for broader debt relief for poor countries is being stymied by the apparent recalcitrance of China, which has become a major creditor," said Eswar Prasad, an economics professor at Cornell University and a former head of the IMF's China division. "China has proven a reluctant participant in multilateral debt relief efforts, putting its narrow economic and geopolitical interests ahead of a collective approach to easing the burden on poor countries."

"We still need to do more," Mohammed al-Jadaan, the finance minister for Saudi Arabia, this year's chair of the G-20, acknowledged at a news conference after Wednesday's meeting. "We must ensure these nations are fully supported in their efforts to tackle the COVID-19 pandemic. ... We have agreed to extend the debt service suspension initiative by six months."

Al-Jadaan said there will be further discussions at April's spring meetings to decide whether the suspension should be extended for an additional six months. He stressed that the pandemic has threatened the fiscal stability of many countries, particularly the poorest.

Al-Jadaan said that another finance ministers' meeting will be held virtually next month, before the leaders' summit on Nov 21-22. He said the goal will be to agree on a framework that goes beyond even the current debt suspension initiative. He did not elaborate. The United States is represented at the G-20 finance meetings by Treasury Secretary Steven Mnuchin and Federal Reserve Chairman Jerome Powell.

Transparency International, Amnesty International and a collective of groups called CIVICUS had written to the G-20 finance ministers ahead of their meeting to warn that the world is facing a crisis unlike any in the last century and that debt suspension is only a first step. Though the global economy has begun a gradual recovery with the reopening of businesses and borders, the recovery has been sharply uneven.

The groups said that many of the poorest countries are still spending more on debt payments than on life-saving public services. They urged the G-20 nations to suspend debt payments at least through 2021. Some countries, like Pakistan, have called for an outright cancellation of debt payments.

Oxfam International said it believes that the six-month extension was "the bare minimum the G-20 could do."

"The failure to cancel debt payments will only delay the tsunami of debt that will engulf many of the world's poorest countries, leaving them unable to afford the investment in healthcare and social safety nets so desperately needed," said Jaime Atienza, an Oxfam official who manages debt policy.

Oxfam and other groups are also calling for private lenders and investment funds to make similar concessions for the poorest countries by suspending their debt repayments.

Bank profits remain resilient despite 'lingering' pandemic

Wall St banks are on rebound after slumping 1H of the year

CHARLOTTE, North Carolina, Oct 15, (AP): Unemployment remains high, many small businesses are struggling, and there are few signs that Congress and the White House can soon agree on another stimulus package to help the US economy in the pandemic. But Wall Street banks are on the rebound after slumping the first six months of the year.

JPMorgan Chase, Citigroup, Wells Fargo and Bank of America saw their profits partly recover in the third quarter from the depths of the coronavirus-caused recession earlier this year. The turnaround stems mostly from improvements in the US economy that allowed these big banks to set aside less money to cover potentially bad loans - $5 billion in the third quarter versus $33 billion in the second quarter.

"It's the same story at every bank in the industry right now: lower credit costs are helping restore profitability," said Kyle Sanders, an analyst who covers the financial services industry for Edward Jones.

The health of the banking sector is a proxy for the US economy, since the banks' balance sheets rise or fall depending on whether borrowers are repaying their debts. Trillions of dollars of stimulus and reopening economies have helped partly lift the US economy out of its historic contraction, which in turn has kept banks from having to write down or write off loans.

Losses

In the early months of the US pandemic, banks set aside tens of billions of dollars to cover losses that could come from loans that were suddenly going bad. Millions of Americans and store owners, who were reliable borrowers before the pandemic, now found themselves out of work or their businesses temporarily shuttered. Bank executives said in April that they were taking "everything but the kitchen sink" approach to these loans since they were unsure how long the pandemic was going to last.

In July, with signs the pandemic was worsening, banks threw in the kitchen sink. They set aside, yet again, tens of billions of dollars to cover additional potentially bad loans. Collectively the five biggest banks put aside $34.62 billion to cover bad loans just in the second quarter.

The banks have benefitted from massive government stimulus to keep the US economy afloat. The banks were the centerpiece of the Paycheck Protection Program, a $669 billion program that gave forgivable loans to small businesses to keep them paying their employees. Individual Americans got $1,200 stimulus check, which researchers have found were used to either pay off debts or shore up savings.

Further, Congress and financial regulators have allowed banks to offer payment forbearance to mortgage borrowers for up to a year without having to mark those loans as bad on their balance sheets.

On top of the stimulus, banks entered into this pandemic the healthiest they've been in years and certainly healthier than they were before the financial crisis of 2008. Capital levels were at historic highs, allowing banks to buy back stock and increase dividends as soon as they could to return excess capital to shareholders.

For the moment, banks either seem to think the worst is over or are holding off from booking additional losses until it becomes clear which way the economy is going. JPMorgan set aside $611 million to cover potentially bad loans in the third quarter, a fraction of the $10.47 billion the bank set aside to cover bad loans in the second quarter. On Wednesday, Bank of America said it set aside $1.4 billion to cover potentially bad loans, far less than the $5.1 billion it set aside three months earlier.

But that doesn't mean the financial troubles are over. Millions remain out of work and coronavirus outbreaks are increasing in geographies either previously not impacted by the pandemic or in places that were hit earlier this year. New York had a jump in cases in Brooklyn but was able to keep its positivity rate below 1%. Meanwhile Wisconsin, and other parts of the Midwest are dealing with record outbreaks.

Without a vaccine, it's unclear where the US economy is headed. JPMorgan CEO Jamie Dimon told reporters Tuesday that if the economy keeps improving the bank could be "over-reserved by $10 billion." But if the economy slips back into recession, JPMorgan might need another $20 billion to cover bad loans.

Despite the banks posting better profits, investors have sold bank shares this week. The KBW Bank Index, which measures the value of the nation's 24 largest banks, is down 4% in two days. Most of the worry seems to reflect investors' uncertainty about whether banks will have to set aside additional billions in the future.

"Investors are still jittery about the banks," Edward Jones' Sanders said. "These government stimulus and forbearance programs are starting to end, and we know there will be actual losses in the future."

This file photo shows the Chase bank logo in New York. JPMorgan Chase says profits improved marginally in the third quarter, a notable change after the nation's largest bank had to set aside billions in the last two quarters to cover losses from the coronavirus pandemic. The New York-based bank said it earned a profit of $9.44 billion, or $2.92 a share, in the July to September period. (AP)

No jetliner sales in September

Boeing's struggles continue

SEATTLE, Oct 15, (AP): Boeing failed to sell any airline planes last month and suffered more cancellations of a grounded jetliner, further evidence of the company's battle to overcome a drop in air travel during the pandemic and crashes involving the 737 Max.

The company said Tuesday that three Max orders were canceled in September and it dropped orders for 48 more Max jets because of uncertainty about whether customers will be able to close the deals.

Boeing has booked 67 orders so far this year, but it has suffered 448 cancellations for the Max and dropped another 602 orders from its backlog because the company isn't sure it can complete the sales with so many airlines in financial trouble.

Grounded

The 737 Max was Boeing's best-selling plane until it was grounded in March 2019 after two crashes that killed 346 people. The company booked its first Max order last month from a Polish airline. Boeing hopes to win US approval by year-end for the Max to return to service.

Boeing said it delivered 11 new commercial planes last month, mostly twin-aisle 787s, compared with 25 last September. The company delivered 98 planes this year, through Sept 30, compared with 301 in the same period of 2019. The decline in deliveries is crucial because Boeing gets the bulk of cash from sales when jets are delivered.

Chicago-based Boeing Co. has laid off thousands of workers this year.

While it chose not to seek government pandemic-relief funds, the company has raised billions in private credit to get through the downturn.

A Boeing 737 MAX jet heads to a landing at Boeing Field following a test flight in a Monday, June 29, 2020 file photo, in Seattle. Boeing is reporting more weak numbers for airplane orders and deliveries. (AP)

Earnings keep sinking, CEOs to show if worst has passed

NEW YORK, Oct 15, (AP): Investors believe the pandemic's worst effects on corporate profits have passed. Now it's up to CEOs to deliver the confirmation.

Companies are lining up for earnings reporting season, and analysts expect them to describe a less painful drop for the summer than they reported in the spring, after widespread business shutdowns paralyzed the economy.

Across the S&P 500 index, Wall Street forecasts a nearly 21% drop in third-quarter earnings from a year earlier, according to FactSet. That would be the second-worst performance since the spring of 2009, but would at least be a move in the right direction after the second quarter's nearly 32% plunge.

Businesses are noticing a shift in momentum as the lockdowns ease. Interest rates remain at record lows, Congress approved trillions of dollars in aid for the economy and the wave of layoffs that swept the country in the spring has eased, though they remain historically high. That's why analysts expect corporate profits to gradually improve until growth returns early next year.

Some industries are recovering slower than others, of course. Energy producers for example are lagging, with analysts forecasting a collective loss in the third quarter, more than erasing profits from a year earlier. Airlines and other industries whose profits are most closely tied to the strength of the economy are also expected to report some of the market's sharpest declines for last quarter.

Profits for health care companies, meanwhile, are likely holding up better. The same is true for tech companies, several of which have seen their profits actually improve during the pandemic as work-from-home and other tech-friendly trends accelerate.

These forecasts are key because stock prices tend to track the path of corporate profits over the long term. For now, though, their importance to investors has dulled a bit because of the particularly unusual period swaying markets.

The top question for shareholders, much as it is for the world, is still the coronavirus pandemic and how long until life can return closer to normal. The rancorous contest for the White House between President Donald Trump and Joe Biden is also creating uncertainty about when or whether Washington can deliver more stimulus for the economy, as well as what corporate taxes and business regulations will look like next year.

That's why strategists at investment bank Goldman Sachs recently concluded that "a vaccine is more important than the election which is more important than 3Q results."

Aims to shift focus

United Airlines loses $1.84 bln

NEW YORK, Oct 15, (AP): United Airlines financial hole grew deeper over the summer as a modest recovery in air travel slowed down, pushing the carrier to a loss of $1.84 billion in the typically strong third quarter.

The airline said Wednesday that revenue plummeted 78% from a year earlier. The loss was worse than analysts had expected.

The results from United, and those issued a day earlier by Delta Air Lines, reinforced the damage that the pandemic is doing to a major industry. Seven months into the worst of the coronavirus impact in the US , air travel remains down 65% from a year ago. The decline in lucrative business travel is even deeper.

United executives believe investors are less interested in current losses and more interested in what the airline plans to do to improve its competitive position when travel recovers. CEO Scott Kirby said the airline has "successfully executed our initial crisis strategy" and is ready to move on.

"Even though the negative impact of COVID-19 will persist in the near term, we are now focused on positioning the airline for a strong recovery that will allow United to bring our furloughed employees back to work and emerge as the global leader in aviation," Kirby said in a statement. United declined to make officials available to discuss the results before a call with analysts on Thursday.

Chicago-based United began furloughing 13,000 workers on Oct. 1, and several thousand other employees took severance packages to leave voluntarily.

The airline has cut flights more aggressively than some of its closest competitors in a bid to align costs with dramatically lower ticket sales. And United is borrowing billions of dollars from the federal government and private lenders to outlast the pandemic. The airline ended September with $19.4 billion in liquidity.

United met a goal it set in July to reduce cash losses to $25 million a day, down from $40 million a day in the second quarter, and roughly in line with Delta, which reported a $5.4 billion quarterly loss on Tuesday.

At current revenue, United has enough cash to last nearly 21 months - longer than American Airlines but not as long as Southwest or Delta - according to calculations by Raymond James analysts.

United, Delta and American rely on business and international travelers for much of their revenue. Those high-fare customers, however, are expected to return more slowly than leisure travelers booking trips closer to home.

The airline industry is pushing governments to test travelers for COVID-19 instead of closing borders or imposing long quarantine requirements on international travelers.