

Central Banks Rush to Mitigate Pandemic Fallout

It had simply been a matter of time, but the World Health Organization (WHO) just declared the Covid-19 outbreak a pandemic after fatalities in Italy jumped 31% overnight. Central Banks are doing their best to mitigate the virus' impact, with Britain announcing a \$39 billion-dollar stimulus package this morning while the Bank of England slashed its key overnight rate from 0.75% to 0.25%. The European Central Bank indicated it could move as soon as this week—although the ECB's bank rate is currently -0.50% and its quantitative easing campaign has been ongoing. It'll be interesting to see how creative they can get in Europe.

Former Treasury Secretary Larry Summers told Bloomberg Television viewers earlier today that he doesn't believe U.S. policymakers have fully grasped the gravity of the situation, calling the Covid-19 outbreak potentially the most serious crisis of the century. Summers believes U.S. policymakers should act fast and abandon budget constraints. Next Tuesday and Wednesday, the FOMC will discuss its options with an announcement expected on Wednesday afternoon at 1 p.m. Central time. The futures market is now pricing-in a 75 basis point easing move. Expectations among the nation's economists range from no cut to a full 100 basis points. A half-point move next week seems the most likely, although the Fed's emergency half-point rate cut that surprised the markets just eight days ago seemed to accomplish little, if anything.

Yesterday, the Organization for Economic Cooperation and Development (OECD) lowered its global GDP growth forecast from +2.9% to +2.4%. There isn't a defined growth rate for a global recession, but this level would be the lowest since 2009 during what many considered the most severe downturn in seven decades. The OECD indicated that if the virus impact is more intensive and lasts longer than currently expected, global growth could fall closer to +1.5%. First quarter economic growth in the U.S. is still chugging along with the Atlanta Fed's GDPNow measure at +3.1% as of Friday. This is expected to fall as more recent data is added to the calculation. The Bloomberg Economics recession model currently stands at 53%, a sharp jump from 24% last month and the highest reading since June 2009.

The rollercoaster stock market ride continued today. After rallying big yesterday in expectation of a major fiscal policy announcement by the president, the market slumped after realizing there was no plan—not yet, anyway. Bond yields actually climbed in many spots along the curve today, an unusual occurrence when stocks are falling. This may be a hopeful response to the widespread global efforts to restrain the virus. The 30-year bond, trading briefly at 0.81% earlier this week, has since climbed back to 1.38%.

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Market Indications as of 4:00 P.M. Central Time

DOW	DOWN 1,465 to 23,553 (HIGH: 29,551)
NASDAQ	DOWN 392 to 7,952 (HIGH: 9,817)
S&P 500	DOWN 140 to 2,741 (HIGH: 3,386)
1-Yr T-bill	current yield 0.35%; opening yield 0.40%
2-Yr T-note	current yield 0.51%; opening yield 0.53%
5-Yr T-note	current yield 0.71%; opening yield 0.66%
10-Yr T-note	current yield 0.87%; opening yield 0.80%
30-Yr T-bond	current yield 1.38%; opening yield 1.28%

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