

Stocks Rebound as Central Banks Respond

Yesterday's memorable market crash got the attention of global central bankers who have rallied their forces and provided the markets with support and a dose of much needed hope.

- The biggest response came from Germany, as Chancellor Angela Merkel pledged to do whatever is required to limit the impact of the coronavirus. The German government has promised unlimited credit to businesses affected by the outbreak as part of a massive €460 billion (\$513 billion) commitment.
- The European Union (EU) has pledged to take "effective action" to help compensate European companies for damages as a result of the coronavirus, while committing €37 billion in support.
- Although the European Central Bank (ECB) did not cut rates yesterday, it did promise additional liquidity to banks in the form of long-term loans, while increasing its asset purchases by €120 billion.
- China's central bank reduced its bank reserve requirements, thereby freeing up 550 billion yuan to aid its struggling economy.
- The Bank of Japan pledged to purchase 200 billion yen in government bonds and add another 1.5 trillion yen in short-term loans.
- The New York Fed Reserve will offer \$500 billion in both one-month and three-month repo today following yesterday's \$500 billion three-month repo operation, as part of a \$1.5 trillion commitment to provide liquidity to the overnight lending markets.

So far this morning, the medicine seems to be working. Stock markets around the world are flashing green.

Perhaps the most encouraging news this morning is that U.S. health regulators approved a new coronavirus test expected to increase the speed of testing tenfold. The FDA granted "emergency use authorization" to the test, which according to Bloomberg News is capable of handling up to 4,128 patients a day. Up to this point, less than 10,000 Americans have been tested due to a lack of available test kits. The new kit is somewhat of a mixed blessing – as more Americans are tested in the coming weeks, the number of confirmed infections is expected to jump.

President Trump plans to declare a national emergency this afternoon. The markets are taking the news in stride. Although it sounds dramatic, the declaration will allow additional federal aid for states and municipalities.

Yesterday was a dark day in the markets and an alarming day for many of us here in the United States. Today, some of the clouds have cleared. Global and domestic markets should have ample support and the U.S. took an important step forward in corralling the virus. Market volatility isn't over, and the Fed is still expected to cut the overnight rate next week.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

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Market Indications as of 10:55 A.M. Central Time

DOW	UP 324 to 21,524 (HIGH: 29,551)
NASDAQ	UP 94 to 7,296 (HIGH: 9,817)
S&P 500	UP 27 to 2,508 (HIGH: 3,386)
1-Yr T-bill	current yield 0.32%; opening yield 0.35%
2-Yr T-note	current yield 0.47%; opening yield 0.48%
5-Yr T-note	current yield 0.66%; opening yield 0.60%
10-Yr T-note	current yield 0.86%; opening yield 0.80%
30-Yr T-bond	current yield 1.50%; opening yield 1.44%

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