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Government Goes Big on Latest Rescue Plan

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Trying to keep up with central bank actions, as well as all proposed and passed legislation is exhausting. The world seems to have collectively realized (all at once) that the global economic impact of the coronavirus is significantly more severe than previously believed. The number of confirmed cases in Europe has now exceeded the total in China, while the number of confirmed cases in the U.S., according to Johns Hopkins University, has nearly doubled overnight to 11,274. In a matter of days, market expectations seem to have moved from an economic slowdown to a mild recession…to a severe recession…to the worst recession since the Great Depression…to outright depression. That stark realization has moved world leaders to action.

In two emergency moves this month, the FOMC slashed a combined 150 basis points from the overnight rate target. Whereas the cuts were initially criticized by many after witnessing the negative market impact, the Fed's actions to provide massive liquidity to the markets have been critical. Earlier this week, the Fed reinitiated its Commercial Paper Funding Facility to backstop corporate CP issuers, and this morning, it announced a reopening of its Money Market Mutual Fund Liquidity Facility to provide liquidity to money funds experiencing heavy redemptions from panicked investors seeking cash. Additional backstop programs are expected.

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Since January 20, 60% of global central banks have cut rates. In a surprise move overnight, the European Central Bank (already entrenched in negative rates and in the midst of a massive ongoing QE program) announced its *Pandemic Emergency Purchase Program*, pledging to buy €750 billion in public and private assets. European stocks rose overnight in response.

On the fiscal side, the U.S. Senate passed the House bill estimated at $100 billion, which boosts COVID-19 testing and provides emergency food aid, guaranteed sick leave for millions of workers, and increased Medicaid funding. The far larger economic rescue plan, originally expected at $850 billion has since swelled to $1 trillion. The centerpiece of the evolving package is two $250 billion dollar cash infusions to American households; thought to be in the form of one check on April 6 and another in mid-May, tier-based on income level and family size. (Again, this is all evolving; not yet certain.) In addition, the proposed plan would provide $50 billion to stabilize the airlines, $300 billion targeted for small businesses, and $150 billion in loan guarantees to other struggling sectors. In all likelihood, more fiscal actions will be needed to limit permanent damage to businesses and individuals.

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Yesterday, executives from General Motors, Ford, and Fiat Chrysler announced they'd be suspending factory operations at least through the end of the month. *An aid package for automakers will be increasingly likely in the coming months.* The lodging and hospitality industry, obviously in trouble, is also likely to find assistance in the coming weeks. *The scope of this collapse is mind-numbing.*

Freddie and Fannie suspended foreclosures and evictions for at least 60 days. The two mortgage giants guarantee debt on approximately 28 million single family mortgages. *This is a welcome addition.*

Please see disclosure on page 2.

West Texas Crude fell 24% yesterday to close at $20.37 a barrel, an 18-year low. Oil is being hammered, both on the demand side by suspended travel plans and people sheltering in homes, and on the supply side as Russia and Saudi Arabia increase oil production. Unfortunately, the benefits to lower oil prices (falling gas prices) are not being recognized by homebound Americans. Today, oil is back up 24% in the midst of its best single day percentage gain in history on Trump's promise that he will soon "get involved" in the Russia/Saudi dispute.

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Most economic data is too stale to be of much value, but this morning's jobless claims data was important. Weekly claims surged by +70k as 281k laid-off Americans filed for unemployment benefits. The number is expected to be much higher next week. A sharp and sustained rise in benefit claims has historically been a precursor to recession. A significant recession has probably already arrived.

The President, Congress, and the Federal Reserve are working to minimize the damage and shorten the duration, but everything hinges on containing the virus as soon as possible. Wide-scale testing has finally begun, which means the rate of confirmed cases in the U.S. is likely to be quite alarming before it settles down.

Stocks finished up on the day on news of economic rescue efforts. A big relief.

Market Indications as of 3:45 P.M. Central Time

DOW	UP 188 to 20,087 (HIGH: 29,551)
NASDAQ	UP 161 to 7151 (HIGH: 9,817)
S&P 500	UP 11 to 2,409 (HIGH: 3,386)
1-Yr T-bill	current yield 0.11%; opening yield 0.17%
2-Yr T-note	current yield 0.46%; opening yield 0.53%
5-Yr T-note	current yield 0.69%; opening yield 0.49%
10-Yr T-note	current yield 1.01%; opening yield 0.72%
30-Yr T-bond	current yield 1.61%; opening yield 1.28%