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Help is on the Way as Massive Relief Bill Passes the Senate

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Late yesterday, the Senate unanimously passed a $2 trillion relief package intended primarily to mitigate the damage done to businesses and individuals as a result of the virus-induced economic shutdown. The House is expected to pass the bill tomorrow and President Trump should immediately sign it into law. The Coronavirus Aid, Relief and Economic Security Act, or the "CARES Act" for short, logged in at a whopping 883 pages. Normally, eyes would roll at the gigantic word count, but this legislation affects literally everyone in the United States. Congress and the administration need to get this right.

Obviously, summarizing the entire bill is both premature and impractical, but there are some key points to consider. Probably the most needed immediate relief is to individuals who are no longer working. The package will provide a direct payment of $1,200 per adult and $500 for each child, decreasing at the $75,000 income level and capped at annual incomes above $99,000 per individual and $198,000 per couple. Treasury Secretary Mnuchin expects checks to be sent within three weeks, although this time frame may be overly optimistic. Earlier and more significant relief for many will come in the form of unemployment benefits, with the bill granting coverage to a wider range of workers, extending the maximum term from 26 to 39 weeks and increasing check size by $600 per week for up to four months. Other benefits provided to individuals include the ability to withdraw 401k funds early without penalty and a temporary suspension of student loan payments. In total, these measures should provide a significant measure of relief to individuals and families over the near-term.

The bill also provides $500 billion in loans to U.S. companies, including $25 billion for the passenger airlines, $4 billon for cargo carriers and $17 billion for industries critical to national security. In addition, the bill grants $350 billion in small business aid, $150 billion for state and local governments and $100 billion for hospitals and health providers.

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The Fed continues to add liquidity programs and set the table for recovery. On Tuesday morning, the Fed announced a Term Asset-backed Securities Loan Facility (TALF) which would make up to $100 billion in secured loans available on securities backed by student loans, auto loans and leases, credit card receivables, and SBA loans. Fed officials are also expected to announce a "Main Street" lending program to support small and medium sized businesses in upcoming days.

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On a very important side note, according to the New York Times, President Trump has indicated he will now consider waiving import tariffs for a three-month period to ease the burden on U.S. businesses hurt by COVID-19.

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Because the shuttering of the nation happened so quickly, most of the economic data released in recent weeks has not reflected the actual state of the economy. All of that changed this morning with a massive surge in weekly unemployment claims. A staggering 3,283,000 Americans filed for unemployment insurance last week, almost 12x the number filing in the prior week and roughly 5x the previous high for any given week. Apparently, the number of new claims would have been even higher had the system not been completely overwhelmed in many states. Although an enormous increase was expected, we're not accustomed to seeing weekly data jump completely off the charts. We'll need to get comfortable with ugly economic numbers, because more are on the way. But, the data is simply reflecting what we already know is true. The hope is for a quick turnaround in the second half of the year. Congress has thrown out a lifeline and the Fed has cleared a path, but the economy can't move forward until the virus threat has passed.

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Market Indications as of 9:55 A.M. Central Time

DOW	UP 782 to 21,983 (HIGH: 29,551)
NASDAQ	UP 213 to 7,604 (HIGH: 9,817)
S&P 500	UP 87 to 2,562 (HIGH: 3,386)
1-Yr T-bill	current yield 0.12%; opening yield 0.17%
2-Yr T-note	current yield 0.30%; opening yield 0.33%
5-Yr T-note	current yield 0.48%; opening yield 0.53%
10-Yr T-note	current yield 0.79%; opening yield 0.87%
30-Yr T-bond	current yield 1.36%; opening yield 1.44%