

Stocks Gain on Broadening Fed Support

Most experts had been expecting Congress to announce additional rescue/relief/stimulus programs. Few seemed to believe the Fed would further expand its roster of lending programs or create new ones, but this morning, U.S. central bankers did exactly that. Fed officials announced another \$2.3 trillion in loan programs targeted to state and local governments as well as small and midsize businesses. They also expanded their corporate lending program to include debt that had fallen below investment grade as a result of the coronavirus impact.

Highlights include:

- a municipal liquidity facility with a capacity of \$500 billion
- a “main street” lending program for small and midsize businesses with a capacity of \$600 billion
- a paycheck protection program liquidity facility to provide credit to financial institutions that originate loans to small businesses
- expansion of corporate funding and asset-backed lending facilities to support larger corporations, now with a total capacity of \$850 billion

Stocks are up for the fourth straight day as investors digest the increasingly massive backstop the Fed has provided, the possibility of additional fiscal action by Congress and scattered evidence that we may be nearing the peak of the COVID-19 infection rate.

This morning, the weekly initial claims data confirmed what we’ve known to be true: millions more Americans have lost their jobs. Last week, more than 6.6 million filed for unemployment benefits, and a total of 16.8 million over the past three weeks. Since many states have indicated processing systems were overwhelmed and unable to handle the rush of people filing, upward revisions are probable. Economists have indicated job losses so far are already consistent with an unemployment rate well above 10%. It’s interesting to note the stock market has shrugged off the exploding initial claims data again this morning as it has each of the previous three Thursdays. There’s clearly optimism afoot over the Fed’s herculean efforts at supporting the sagging economy. No one is suggesting the economy will rebound in the coming weeks, but as more and more support programs are established, the path to recovery widens.

Market Indications as of 11:30 A.M. Central Time

DOW	UP 456 to 23,890 (HIGH: 29,551)
NASDAQ	UP 70 yo 8,161 (HIGH: 9,817)
S&P 500	UP 54 to 2,804 (HIGH: 3,386)
1-Yr T-bill	current yield 0.22%; opening yield 0.20%
2-Yr T-note	current yield 0.21%; opening yield 0.25%
5-Yr T-note	current yield 0.40%; opening yield 0.47%
10-Yr T-note	current yield 0.71%; opening yield 0.77%
30-Yr T-bond	current yield 1.34%; opening yield 1.38%

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