

News and Notes from a Troubled Week

Congressional members gathered in D.C. this week to overwhelmingly pass an additional \$484 billion aid package which President Trump signed into law today. More than half of the total, or \$250 billion, will be set aside to assist small- and medium-sized businesses through the existing (but currently depleted) Payroll Protection Program (PPP). The PPP provides forgivable loans to businesses that continue to pay their workers while their doors are shuttered. An estimated 1.7 million U.S. businesses had filed for relief under the PPP before funds ran out. The latest aid package also includes \$60 billion for the Small Business Administration's disaster aid program and another \$60 billion targeted for small banks and community development banks with a focus on urban neighborhoods and rural areas that had been largely ignored by lenders. In addition, \$75 billion has been granted to hospitals and \$25 billion for COVID-19 testing. U.S. stocks rallied early on the aid package, retreated as most of this week's news and data signals a bleaker outlook... and then rallied again. Market volatility isn't going away anytime soon.

A front page story in this morning's Wall Street Journal (WSJ) warned that fears of a meat shortage were on the rise after a dozen meatpacking plants closed due to COVID-19 outbreaks. Last week, beef production in the U.S. fell -24% compared to last month, while pork fell -20% and chicken was down -10%. Industry experts warn supplies could be tight by mid-May. Several large meat processors have since responded to the crisis by monitoring employee temperatures and installing shields between workers.

On a related (and quite predictable) note, grocery stores are doing exceptionally well. Walmart's same store sales were up +20% in March, while Kroger sales rose +30% as most Americans are suddenly eating a majority of their meals at home. The WSJ suggested this eat-at-home shift has forced many Americans to sharpen their cooking skills, which is likely to translate into less dining out even after things "normalize."

Oil prices have rebounded from earlier this week, seemingly in response to an expected rebound in China's energy demand...but the supply/demand imbalance won't change until a significant portion of the global economy has reopened.

In the midst of all this financial and economic stress, you'd expect banks would be experiencing a run on deposits, but the opposite is happening. U.S. banks actually took in a record \$1 trillion of deposits in the first quarter with the largest four banks totaling more than half. The WSJ pointed out that the \$590 billion deposited into Wells Fargo, Bank of America, Citigroup, and JPMorgan last quarter was almost twice the previous quarterly record for the entire U.S. banking system. For anyone who'd wondered where all the dollars flowing out of riskier assets had been parked—this is part of the answer.

As mentioned many times, the economic news, as expected, has been dreadful. With another 4.5 million increase in the weekly initial claims data, a total of 26.5 million Americans have successfully filed for unemployment benefits over just the past five weeks. This likely puts the unemployment rate over 20%. And according to a Gallup poll appearing on Bloomberg this week, a quarter of working Americans believe it's "very likely" or "fairly likely" they will lose their job or be laid off in the next 12 months. The 17 percentage point year-over-year swing, from the lowest reading since 1975, to the highest in the history of the poll, is obviously due to the virus. A spokesman for Gallup added "we wouldn't believe these numbers unless we were living through it." We feel the same. At the moment, this is a puzzle that no one has the solution for.

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And on a trivial note, literally all of the 21 stories in the first nine pages of today's WSJ are related to the virus. The string was interrupted by two pages on which shows to stream from your television while sheltering in place and a single page for the sports-starved.

Market Indications as of 2:30 P.M. Central Time

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| DOW | Up 221 to 23,736 (HIGH: 29,551) |
| NASDAQ | Up 121 to 8,616 (HIGH: 9,817) |
| S&P 500 | Up 29 to 2,828 (HIGH: 3,386) |
| 1-Yr T-bill | current yield 0.16%; opening yield 0.16% |
| 2-Yr T-note | current yield 0.21%; opening yield 0.22% |
| 5-Yr T-note | current yield 0.36%; opening yield 0.37% |
| 10-Yr T-note | current yield 0.59%; opening yield 0.60% |
| 30-Yr T-bond | current yield 1.17%; opening yield 1.18% |

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