## MARKET BRIEF

Over the past few weeks, global economies and the public market have struggled amid the effects of COVID-19's spread and shocks in the oil market. As COVID-19 cases have surpassed 500,000 worldwide and the Saudi-Russian oil price war has continued to affect the market and push U.S. oil down over 60% for the year, investors are closely monitoring the highly volatile situation. Goldman Sachs recently updated their forecast on GDP growth, projecting a 24% decline in U.S. GDP in the second quarter of 2020.

"When you have whole economies or whole populations shut down, it is going to have a massive economic effect and no one knows how long that will go on for," said Altaf Kassam, head of investment strategy for State Street Global Advisors in Europe, the Middle East and Africa.

Because of these market shocks, currency markets have been affected worldwide. As demand for the U.S. dollar has risen, other currencies have been falling drastically which has put pressure on borrowers worldwide to meet obligations on dollar-denominated debt. To deal with the strains on currency markets, the Fed eased terms on swap lines with the Bank of Canada, Bank of England, Bank of Japan, European Central Bank, and Swiss National Bank.

## Public Equity Market Struggles Amid COVID-19 Concern and Oil Market Shocks, S&P 500 and DJA Down 14.9% and 15.6% Respectively to Date in March

Public markets have seen record volatility in March, driven by uncertainty regarding how long the effects of COVID-19 will be felt and whether central banks' actions and stimulus spending will be adequate to offset the damage to financial markets and the economy. Three years of gains have been wiped out of the equity market, with the Dow Jones Industrial Average closing below 20,000 on March 18th. Jeffrey Kleintop, Chief Global Investment Strategist at Charles Schwab, believes that "until we see a peak in cases, we're not likely to see the market bottom."

Foreign attempts to contain COVID-19 have resulted in a global economic slowdown, with factory activity dropping in China in February by 13.5% compared to February 2019 and investment in China falling by 25%. U.S. efforts to control the pandemic, including business closures and shelter-in-place orders, have similarly impacted the markets.

As government guidelines mandate the closure of schools and discourage travel, restaurants, and bars, the airline and hospitality industries have reported major losses and have requested federal bailouts as their cash reserves rapidly deplete.

On March 8th, Saudi Arabia announced that it would increase oil production after OPEC failed to agree to a production deal with Russia. Oil prices slid, with crude oil prices hitting to 17-year lows, resulting in a sell-off.

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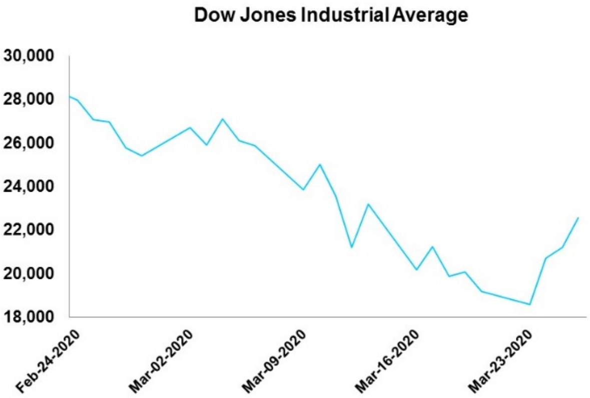
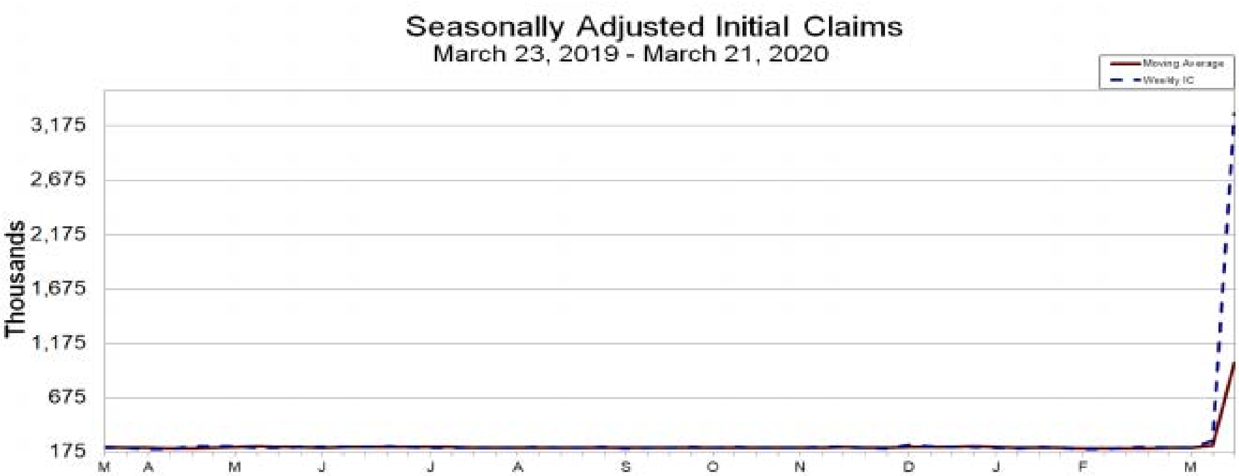



Source: S&P Capital IQ

## Unemployment Claims Rose by 3.3 million

In the U.S., data has already shown the pandemic taking its toll on the labor market. The number of workers applying for first-time unemployment benefits jumped by 3.3 million during the week of March 16th, marking the largest jump in jobless claims in history. The impact of COVID-19 has led to the closure of many non-essential businesses and public services, along with shelter-in-place orders in states across the country and widespread layoffs. Economists have voiced concerns that layoffs and furloughs will rise in the coming weeks. U.S. Treasury Secretary Steven Mnuchin told Republican Senators that the unemployment rate could reach 20% as a result of COVID-19 if no government action is taken. Nobel Prize winning economist Joseph Stiglitz commented on the effect of COVID-19; "It's likely to be massive. Whether it will wind up to be the 25% that characterized the Great Depression or the 25% that characterized the Greek crisis, that's yet to be seen."




Source: Department of Labor

## Government Responses to COVID-19

On March 27th, the U.S. House of Representatives passed a $2.2 trillion stimulus package, which is expected to be signed by the White House without objection. The bill includes direct checks to many Americans, expansion of unemployment insurance, credit lines to American businesses, and expanded resources for healthcare providers.

The Federal Reserve on March 19th offered to temporarily provide billions of dollars at near-zero rates to central banks grappling with greenback shortages in many parts of the world, easing market strains. To support the domestic financial and credit system, the Federal Reserve has committed to purchasing unlimited U.S. Treasury Notes and mortgage-backed securities, buying $300 billion in corporate bonds, and backstopping commercial paper markets.

The European Central Bank has launched a new €750 billion ($818.7 billion) bond-buying program, which it hopes will help ease worries about the most debt-laden nations in the Eurozone and their ability to meet their obligations as spending demands increase. The effort, which aims to curb Eurozone fragmentation, will include the purchase of Greek bonds for the first time. "We are absolutely determined to fight the risk of fragmentation between Euro zone states and against the detonation of long-term financing conditions," said Francis Villeroy de Galhau, ECB policymaker and head of the French central bank, in an interview with French business newspaper Les Echo. Central banks across the world in England, Japan, Canada, China, and Australia have all taken similar measures to ease tensions and stoppages throughout their financial systems.

## FURTHER INFORMATION

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