Market Currents

- **<u>Volatility in the Markets.</u>** The ongoing COVID-19 coronavirus outbreak continues to unfold rapidly across the globe, catalyzing a period of historic volatility in both the stock and bond markets. Beset by the most severe pandemic in generations, U.S. stocks closed out their worst quarter since the depths of the financial crisis. Investors flocked to U.S. Treasuries for safety, pushing yields across the board down to record lows, with the entire yield curve briefly trading below 1% for the first time in history.

- **<u>Covid-19.</u>** Globally, the case count has surpassed 1,000,000 persons infected, with fatalities tragically topping 51,000. These numbers will continue their grim rise. The United States now leads the world in the total number of confirmed COVID-19 cases, almost a quarter of the worldwide total, and ahead of Italy and Spain. New York City, with its dense population and extensive public transit, is uniquely vulnerable to the rapid spread of the virus, and is the epicenter of the U.S. outbreak at the moment. Other hot spots are emerging, though on a much smaller scale than New York at present.

- **<u>Social Distancing.</u>** We are observing, in real time, that the public is taking the infection threat with increased seriousness. President Trump announced he will extend nationwide social distancing guidelines to April 30. Numerous states have mandated distancing and activity restrictions, affecting over 90% of the population. Public schools, colleges, and universities have moved to remote learning. Gatherings, meetings and sporting events have been cancelled. Businesses, both big and small, are doing their part by encouraging remote work. Retail stores, bars, and restaurants have nationwide have curtailed their operations or temporarily closed.

- **<u>Policy Response.</u>** In a series of unprecedented moves, the U.S. Treasury and the Federal Reserve have intervened with a multi-trillion synchronized effort aimed to soften the economic impact COVID-19 is having on the nation. Lawmakers reached an agreement on a massive relief plan that will include sending checks directly to U.S. families, supporting small businesses with forgivable loans, and aiding stricken industries with other financial supports. The Fed stepped in with emergency rate cuts, support to overnight lending operations and money market funds, and is making open market purchases in the bond market.

- **<u>Outlook for 2020</u>**. The coronavirus has delivered a significant demand and supply shock to the global economy. Corporate earnings and economic activity are likely to contract at least through the second quarter of 2020, and a recession is all but a certainty. The economic shock of the outbreak will be large, but in contrast with the 2008 financial crisis which left lasting scars on the economy and sentiment, we are expecting a vigorous recovery as we move beyond the coronavirus outbreak, with pent-up consumer demand driving the economy ahead. The U.S. was in a position of strength as the virus hit, with strong employment and high consumer confidence, but without the typical excesses that would exaggerate or prolong a downturn. The market's selloff has presented us multiple investment opportunities to assess and we will continue to be picking up high-quality companies for our investment portfolios, for your benefit.

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