WEEK IN REVIEW

March 27, 2020

The Bottom Line

- Coronavirus remains *the* story as most of the nation, and much of the world, remains in lockdown. The focus shifted from monetary policy actions to fiscal policy this week. It took most of the week, but congress did ultimately deliver the $2 trillion CARES Stimulus Act.
- The S&P 500 fell -2.9% on Monday putting it -33.8% lower than its Feb. 19 all-time high. It then went on the best 3-day run since the 1930s, gaining +17.6%, before giving back -3.4% on Friday to finish the week up +10.3%.
- The necessity for massive monetary and fiscal rescue packages became very apparent on Thursday when weekly unemployment claims surged to a stunning 3.3m.

From Monetary Policy to Fiscal Policy

Last week the Federal Reserve introduced a commercial paper funding facility, a money market liquidity facility, and foreign currency swap lines. This week brought even more support programs by the central bank in what essentially amounts to unlimited quantitative easing authority for dollar funding and bond purchases, as well as new lending facilities. Despite those actions, the focus this week really centered on the efforts by the U.S. Congress to deliver an economic rescue package to businesses and individuals impacted by the economic shutdown to combat coronavirus. Congress ultimately came through with the $2.2 trillion CARES Act appropriations bill. It is the largest economic relief package in history that roughly breaks down to providing: direct payments to qualified Americans ($1,200 for most adults, $500/child); four months of unemployment insurance (versus three), $130B to hospitals; $150B to state and local governments; $350B for small businesses; and $500 to corporations [for further details about the bill, please see the archived replay of our 3/27 webinar]. Importantly, the rapid monetary and fiscal actions by U.S. and global policymakers has helped stabilize global equity and credit markets.

Digits & Did You Knows

A WEEK FOR THE HISTORY BOOKS: There was a bull market born in just three days (the best three-day rally in 89 years); there was a $2 trillion relief package that was unimaginable until a few weeks ago (equal to nearly 10% of GDP and 50% of 2019 total federal spending), which ultimately passed with complete bipartisan support; there was the Federal Reserve promising to do whatever was needed to keep the economy afloat (the Fed's balance sheet now exceeds $5 trillion for the first time); there was a shocking 1,000% surge in first-time unemployment filings (to a record 3.3 million); and there were at least 47,000 new U.S. Covid-19 cases identified as total U.S. cases passed 100,000. (source: Barron's)

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	2,541.47	**+10.26%**	**-21.34%**
Nasdaq Composite	7,502.38	**+9.05%**	**-16.39%**
Russell 2000	1,131.99	**+11.65%**	**-32.15%**
Nikkei-225 (Japan)	19,389.43	**+17.14%**	**-18.04%**
STOXX Europe 600	310.90	**+6.09%**	**-25.24%**
RATES			
2-Year UST Note	0.24	-7 bps	-133 bps
10-Year UST Note	0.67	-17 bps	-124 bps

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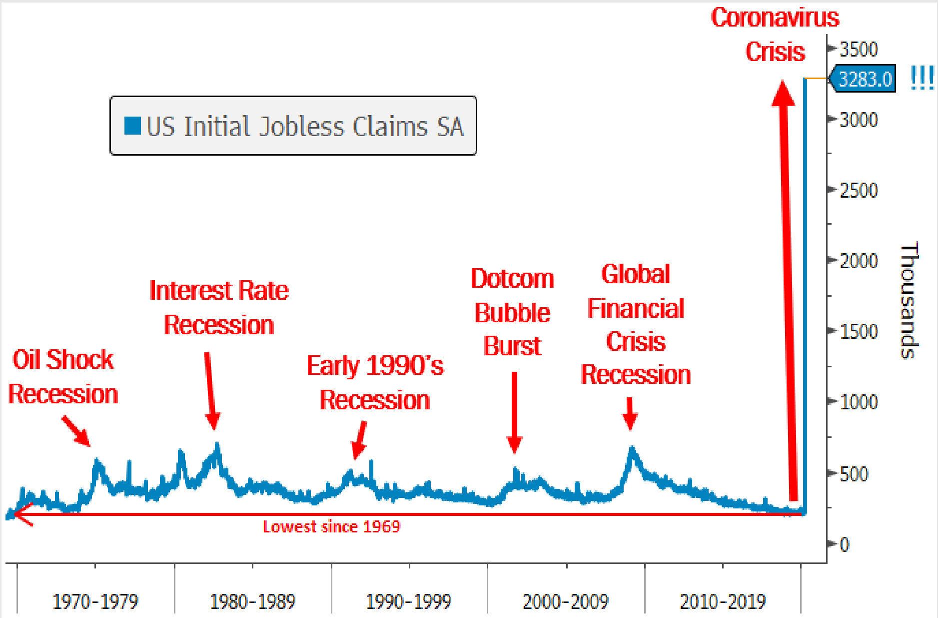
Chart of the Week

The full impact of the coronavirus pandemic on economic activity began to materialize this week in the weekly release of unemployment claims. Jobless claims skyrocketed by an order of magnitude greater than anything ever seen before, surging to a grim 3.3 million filings. The previous claims record was just under 700,000 near the end of the 1981-1982 recession caused by the Fed's tight monetary policy. That recession was the worst economic downturn since the Great Depression until the 2007-2009 financial crisis recession replaced it. As seen in this week's chart, those recession, and several others, are almost indiscernible after adding the immense increase of this week's newly unemployed. This helps underscore the need for the unprecedented magnitude and speed of monetary and fiscal policy being enacted.

Initial Unemployment Claims Reach Historic Levels

Weekly initial unemployment insurance claims



Source: Bloomberg.

Economic Rundown

EDITOR'S NOTE: *Economic data will be materially impacted for months to come as businesses are shut down and citizens follow stay-at-home policies. Thus economic data will be denoted as pre- or post- COVID-19 for the foreseeable future.*

Pre-peak COVID-19:

- **The Chicago Fed National Activity Index (CFNAI)** rose 0.49 points in February.
- February (pre-COVID-19) **New Home Sales** slip 4.4%.
- Pre-COVID-19 **Durable Goods** orders picked up 1.2% in February.
- **Personal Income and Saving** rates rise pre-COVID-19.

Post COVID-19:

- **Markit Services and Manufacturing PMIs** fell sharply, and confidence slumped, amid COVID-19 disruptions.
- Like last week's regional Fed activity indices, the **Richmond Fed Services Revenue Index** fell 25 points in March to 1, the biggest drop since February 2003.
- **Mortgage Applications** declined, as mortgage rates rose.
- The **Reuters/U. of Michigan Consumer Sentiment Index** dropped 11.9 points to 89.1 in March, its lowest level since Oct. 2016 and biggest decline since Oct. 2008.

The Week Ahead

Monday	• Pending Home Sales • Dallas Fed Manufacturing Activity
Tuesday	• S&P CoreLogic CS Home Price Index (HPI) • MNI Chicago PMI • Conf. Board Consumer Confidence
Wednesday	• MBA Mortgage Applications • Construction Spending • ADP Employment Change • Markit US Manufacturing PMI • ISM Manufacturing PMI
Thursday	• Jobless Claims • Trade Balance • Factory Orders
Friday	• Jobs Report / Nonfarm Payrolls • Markit US Services PMI • ISM Non-Manufacturing Index

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Asset Class Performance

WEEK IN REVIEW

The Importance of Diversification. From period to period there is no certainty what investment will be the best performer… or the worst. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as lowering portfolio volatility, improving risk-adjusted returns, and helping investments to compound more effectively.

	Monday	Tuesday	Wednesday	Thursday	Friday	WEEK	
High	U.S. Bonds 2.37	Mid Value 11.31	Real Estate 5.44	Real Estate 7.42	Intl Bonds 1.73	Real Estate 16.29	High
	Small Growth -0.01	Mid Growth 10.67	Mid Value 3.75	Small Value 6.55	U.S. Bonds 0.43	Mid Value 13.84	
	Intl Bonds -0.03	Large Value 10.29	Emg Markets 3.52	Large Value 6.08	High Yield Bond 0.26	Mid Growth 13.12	
	60/40 Allocation -0.83	Small Growth 9.65	Intl Equity 3.25	Large Growth 5.96	Real Estate 0.13	Small Growth 12.41	
	Intl Equity -1.17	Large Growth 9.13	High Yield Bond 2.81	Mid Value 5.80	60/40 Allocation -1.70	Intl Equity 12.35	
	High Yield Bond -1.61	Small Value 8.72	Mid Growth 2.38	Small Growth 5.73	Mid Value -2.63	Small Value 11.21	
	Large Growth -1.75	Intl Equity 8.47	Large Value 2.32	Mid Growth 5.51	Intl Equity -2.85	Large Value 11.10	
	Mid Growth -1.98	Real Estate 8.00	60/40 Allocation 2.08	High Yield Bond 4.57	Large Value -2.86	Large Growth 10.59	
	Small Value -2.29	Emg Markets 7.51	Small Value 1.85	Intl Equity 4.47	Large Growth -3.39	High Yield Bond 10.44	
	Emg Markets -2.39	60/40 Allocation 5.98	U.S. Bonds 1.02	Emg Markets 3.79	Mid Growth -3.48	60/40 Allocation 9.21	
	Mid Value -4.31	High Yield Bond 4.12	Intl Bonds 0.91	60/40 Allocation 3.65	Small Value -3.54	Intl Bonds 6.87	
	Large Value -4.46	Intl Bonds 1.74	Small Growth 0.82	Intl Bonds 2.37	Small Growth -3.80	Emg Markets 6.35	
Low	Real Estate -5.06	U.S. Bonds 0.83	Large Growth 0.76	U.S. Bonds 0.31	Emg Markets -5.68	U.S. Bonds 5.04	Low

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx $ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate.

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