US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.244 (-9.7 bps)	GNMA (30 Yr) 6% Coupon:	111-21/32 (2.76%)
6 Mo. T-Bill:	0.344 (-2.4 bps)	Duration:	3.73 years
1 Yr. T-Bill:	0.318 (0.8 bps)	Bond Buyer 40 Yield:	3.70 (+33 bp)
2 Yr. T-Note:	0.490 (10.9 bps)	Crude Oil Futures:	31.73 (-9.55)
3 Yr. T-Note:	0.600 (16.9 bps)	Gold Spot:	1,529.83 (-144)
5 Yr. T-Note:	0.717 (24.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.960 (42.0 bps)	U.S. High Yield:	8.24 (+159 bps)
30 Yr. T-Bond:	1.529 (53.4 bps)	BB:	6.29 (+142 bps)
		B:	9.01 (+185 bps)

Last week was a historic week in global markets. Fixed Income was not immune to large price swings as world markets responded to a global pandemic. Notably, the yield on 30-year treasury bonds fell below 1% for the first time ever. Monday of last week saw 10- year yields close at 0.501% and 30- year yields close at 0.938%. These are both low absolute yields and represent a startingly flat yield curve. These low yields are indicative of high prices as bonds benefit from increased safe asset demand. Oil markets digested both a supply shock as Saudi Arabia's state oil production announced plans to cut prices and potentially unleash supply increases and a demand shock as global forecasts for oil demand have declined with lowered economic activity resulting from responses to COVID-19. Suprisingly, though a safe-haven asset, Gold declined 4 of 5 days last week as deflationary expectations took hold. On Sunday, the United States Federal Reserve agreed to a surprise interest rate cut. The Federal Reserve cut its benchmark rates by 100 basis points to a range of zero to 0.25% and announced a new round of Quantitative Easing. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: March Empire Manufacturing (5.0, 12.9); Tuesday: February Retail Sales Advance (0.2%, 0.3%) and February Industrial Production (0.4%, -0.3%); Wednesday: March 13 MBA Mortgage Applications (N/A, 55.4%), FOMC Rate Decision Upper Bound (0.75%), FOMC Rate Decision Lower Bound (0.50%); Thursday: March 14 Initial Jobless Claims (219K, 211K) and February Leading Index (0.1%, 0.8%); Friday: February Existing Home Sales (5.51M, 5.46M).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	23,185.62 (-10.24%)	Strong Sectors:	Information Technology, Health Care, Comm Services
S&P 500:	2,711.02 (-8.73%)		
S&P Midcap:	1,546.98 (-13.88%)	Weak Sectors:	Energy,Utilities, Materials
S&P Smallcap:	725.98 (-16.23%)		
NASDAQ Comp:	7,874.88 (-8.14%)	NYSE Advance/Decline:	85 / 2,995
Russell 2000:	1,210.14 (-16.44%)	NYSE New Highs/New Lows:	30 / 2,535
		AAII Bulls/Bears:	29.7% / 51.3%

Stocks roared and whimpered throughout the week as the S&P posted two historic moves not seen since 2008. Friday's 9% rally into the end of the day eclipsed a record set in October 2008. One day earlier, the S&P 500 had its biggest down day since 2008 after dropping over 9%. The markets had been waiting on a policy with a defined direction and magnitude. Those announcements came on Friday with the President declaring a national emergency and congress almost simultaneously announcing a bill to stem the epidemic. Earlier in the week the World Health Organization officially declared COVID-19 a pandemic, causing President Trump to address the nation and restrict travel from European nations. The Energy sector was the worst-performing group last week after crude fell over 19%. Oil and natural gas driller **Apache Corp** sold off to end the week 60% lower. Cruise line operators **Norwegian Cruise Line**, **Royal Caribbean Cruises,** and **Carnival Corp** also felt the impact of the virus outbreak with the group of companies among the worst performers in the S&P 500. To support the credit markets, the Federal Reserve announced on Thursday it would inject $1.5 trillion dollars to combat "highly unusual disruptions". Economic repercussions are yet to be realized in the United States as the potential slowdown is met with government capital infusions and payment deferrals. Next week we will look at the growth of new COVID-19 cases and the policies designed to identify and quell the outbreak as the main market-moving events.