

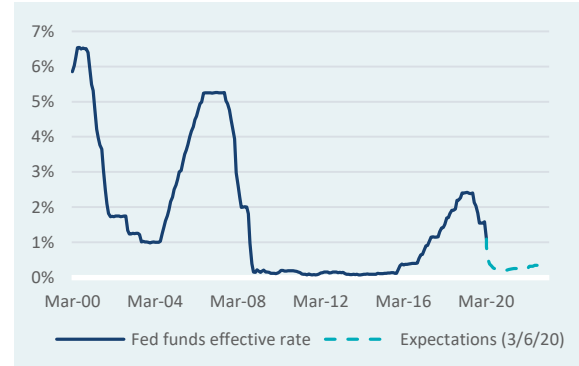
# Capital Markets Snapshot

February 24<sup>th</sup> to March 6<sup>th</sup>, 2020

## U.S. Economy

- The Federal Reserve delivered an out-of-cycle emergency 0.50% rate cut, bringing the range for federal funds to 1.00-1.25%. The Fed noted the uncertainty surrounding the impact of COVID-19 on the outlook, and eased policy to provide support to the economy.
- Congress passed an \$8.3B stimulus package to combat the virus. Funds were earmarked for drug R&D, public health funding for prevention and response, medical supplies, and foreign aid.
- Non-farm payrolls expanded by 273k in February (exp. +175k), bringing YTD additions just under a half a million jobs. Net revisions to the prior two months' payroll growth totaled +85k.

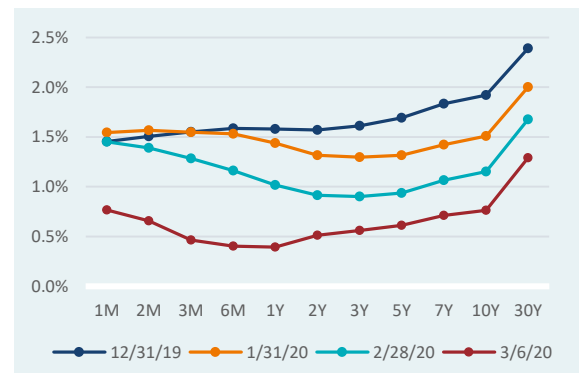
## FED FUNDS EFFECTIVE RATE



## U.S. Markets

- The S&P 500 Index (-10.9%) fell into correction as markets reacted to the spread of COVID-19 outside of China. The 10-day realized volatility of the S&P 500 picked up to 52%, a high since 2008.
- Long-duration Treasuries (+13.4%) outperformed as coronavirus fears sparked a flight to quality. Treasury yields plunged to all-time lows as expectations mounted for an additional 50-75 basis point rate cut from the Federal Reserve at its March 18<sup>th</sup> meeting.
- Riskier credit within the U.S. fixed income market underperformed as high-yield credit spreads widened about a full percentage point to 5.54%. The Barclays Corporate High Yield Index declined -3.0%.

## U.S. TREASURY ACTIVES CURVE



## International Economy

- Though the impact of COVID-19 has yet to appear in much U.S. and European economic data, it has started to be seen in China. The official Chinese Services PMI fell from 54.1 to 29.6 (the neutral level is 50.0) and the Manufacturing PMI fell from 50.0 to 35.7.
- The G7 finance ministers met via teleconference and affirmed in a joint statement their collective readiness to “take actions, including fiscal measures where appropriate, to aid in the response to the virus and support the economy during this phase.”
- Coal consumption at Chinese power plants has increased ~10% since Lunar New Year. The three-year average increase is ~55%.

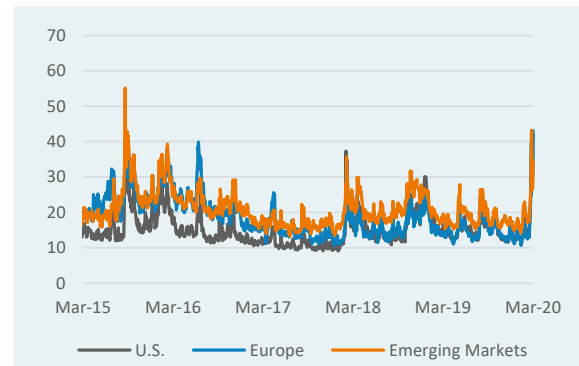
## CHINESE PURCHASING MANAGERS' INDICES



## International Markets

- The coronavirus continued to spread around the world; confirmed cases topped 100k, and confirmed deaths reached north of 3,500. Measures of implied volatility surged around the world as markets priced in a more uncertain medium-term economic outlook.
- The Bloomberg Commodity Index plunged -7.1%, led by weakness in the Energy (-18.2%) sector. Brent crude oil fell from \$57.94/bbl to \$45.27/bbl as estimates for future demand waned and Russia elected not to comply with OPEC's proposed production cut.
- Emerging market equities (-6.6%) outperformed international developed (-9.3%) and large-cap U.S. equities (-10.9%).

## 30-DAY FORWARD IMPLIED VOLATILITY



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# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 2/24/2020 - 3/6/2020		February		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	-10.87	50.08	-8.23	24.77	-7.67	26.08	-7.67	26.08
Russell 2000 TR USD	-13.60	38.90	-8.42	24.63	-12.96	23.08	-12.96	23.08
MSCI ACWI NR USD	-10.00	34.93	-8.08	20.53	-8.67	19.30	-8.67	19.30
MSCI EAFE NR USD	-9.25	24.96	-9.04	18.02	-10.64	15.06	-10.64	15.06
MSCI EM NR USD	-6.59	24.77	-5.27	19.86	-9.06	18.21	-9.06	18.21

### Fixed Income

Barclays US Treasury US TIPS TR USD	3.13	5.80	1.38	4.20	5.65	4.60	5.65	4.60
Barclays US Treasury TR USD	5.04	7.94	2.65	5.44	8.12	5.71	8.12	5.71
Barclays Long Term US Treasury TR USD	13.42	29.95	6.70	13.59	23.45	18.45	23.45	18.45
Barclays US Agg Bond TR USD	3.16	5.14	1.80	3.78	5.71	3.80	5.71	3.80
Barclays US Credit TR USD	2.51	5.47	1.36	4.04	5.75	4.17	5.75	4.17
Barclays High Yield Corporate TR USD	-2.99	9.70	-1.41	4.94	-1.82	5.33	-1.82	5.33
JPM EMBI Global Diversified TR USD	-0.98	9.20	-0.97	4.23	1.68	4.65	1.68	4.65

### Other

Bloomberg Commodity TR USD	-7.11	23.01	-5.04	14.61	-12.24	14.04	-12.24	14.04
Wilshire US REIT TR USD	-9.64	46.23	-7.78	27.16	-3.99	24.88	-3.99	24.88
MSCI Currency Factor Mix ER USD	-1.70	3.89	-0.42	2.74	-0.49	2.72	-0.49	2.72

Source: Morningstar, Data as of last available market close, Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
02/24/20	GE	IFO Business Climate	M	Feb	95.3	96.1	1.4
02/25/20	US	Conf. Board Consumer Confidence	M	Feb	132.2	130.7	-1.1
02/27/20	EC	M3 Money Supply YoY	M	Jan	5.3%	5.2%	-0.5
02/27/20	EC	Industrial Confidence	M	Feb	-7.2	-6.1	1.5
02/27/20	JN	Tokyo CPI Ex-Fresh Food YoY	M	Feb	0.6%	0.5%	-1.4
02/27/20	JN	Industrial Production YoY	M	Jan P	-3.1%	-2.5%	0.7
02/27/20	UK	GfK Consumer Confidence	M	Feb	-8	-7	0.7
02/28/20	GE	Unemployment Claims Rate SA	M	Feb	5.0%	5.0%	0.0
02/28/20	GE	CPI YoY	M	Feb P	1.7%	1.7%	0.0
02/28/20	CA	GDP YoY	M	Dec	1.6%	1.9%	4.2
02/28/20	US	PCE Deflator YoY	M	Jan	1.8%	1.7%	-0.3
03/02/20	US	ISM Manufacturing	M	Feb	50.5	50.1	-0.3
03/04/20	US	ISM Non-Manufacturing Index	M	Feb	54.8	57.3	2.5
03/06/20	US	Change in Nonfarm Payrolls	M	Feb	175k	273k	4.5
03/06/20	US	Unemployment Rate	M	Feb	3.6%	3.5%	-1.8

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
03/09/20	EC	Sentix Investor Confidence	M	Mar	5.2	-11.4	3.8
03/10/20	IT	Industrial Production WDA YoY	M	Jan	-4.3%	-3.7%	0.5
03/10/20	US	NFIB Small Business Optimism	M	Feb	104.3	103.0	0.9
03/11/20	US	CPI Ex Food and Energy YoY	M	Feb	2.3%	2.3%	0.1
03/11/20	JN	PPI YoY	M	Feb	1.7%	1.1%	0.3
03/12/20	EC	Industrial Production WDA YoY	M	Jan	-4.1%	-3.3%	0.8
03/12/20	EC	ECB Deposit Facility Rate	D	12-Mar	-0.50%	-0.50%	0.1
03/13/20	US	U. of Mich. Current Conditions	M	Mar P	114.8	113.0	1.6
03/13/20	US	U. of Mich. Expectations	M	Mar P	92.1	88.2	3.1
03/16/20	IT	General Government Debt	M	Jan	2409.2b	--	--
03/16/20	US	Empire Manufacturing	M	Mar	12.9	5.1	2.4
03/17/20	EC	ZEW Survey Expectations	M	Mar	10.4	--	0.0
03/17/20	US	Retail Sales Advance MoM	M	Feb	0.3%	0.2%	0.1
03/18/20	US	FOMC Rate Decision (Upper Bound)	D	18-Mar	1.25%	1.00%	0.2
03/18/20	JN	BOJ Policy Balance Rate	D	19-Mar	-0.10%	--	--

Source: Bloomberg



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