

## Another Volatile Week in the Books

This week featured the worst day since 1987, two-15 minute trading halts, stimulus/liquidity measures enacted from global central banks, and even an initial salvo in an oil price war. The S&P 500 (-8.8%), Dow Jones Industrial Average (-10.4%), Nasdaq Composite (-8.2%), and Russell 2000 (-16.6%) lost more than 8.0% apiece.



The continued spread of the coronavirus around the globe prompted measures that are expected to reduce growth. Most sporting events in the U.S. were cancelled and a ban on most flights from Europe took effect at the end of the week. Lawmakers in Washington debated various options for fiscal stimulus, but it took the whole week to reach a tentative agreement on package that would allow for 14 days of paid sick leave, unemployment benefits, free virus testing, and small business tax relief.

The New York Fed conducted emergency liquidity operations at the end of the week after spreads on longer-term Treasury securities widened significantly. The ECB increased its asset purchases, the Bank of England made an emergency 50-basis points rate cut to 0.25%, and The People's Bank of China lowered the reserve requirement ratio for some banks by 50-150 bps.

Separately, oil markets were facing a dual threat of weakened demand and oversupply after Saudi Arabia initiated a price war with Russia. Specifically, Saudi Arabia lowered its oil price for April delivery by \$6-\$8/bbl and signaled production boosts for an oversupplied market after Russia failed to agree to production cuts last week. WTI crude collapsed 25.0% on Monday, surrendering 23.0% for the week.

In the U.S. Treasury market, the yield on the 10-yr note set a new all-time low at 0.40% but finished the week 24 basis points higher at 0.95%. The CBOE Volatility Index, which is commonly referenced as a fear gauge, surged almost 16 points to 57.83-- its highest level since the financial crisis -- as investors rushed for more protection against further equity weakness.

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