

## Historic Sell-off Steepens as Economy Continues to Shut Down

Wall Street endured wild swings this week, ultimately spiraling lower as the rapid spread of the coronavirus continued to lead to a shutdown of the economy.



The Dow Jones Industrial Average (-17.3%) led the retreat with a 17% decline, followed by the Russell 2000 (-16.2%), S&P 500 (-15.0%), and Nasdaq Composite (-12.6%).

No sector was spared in this week's carnage with all 11 S&P 500 sectors losing more than 11%, including a 23.0% plunge in the real estate sector. Confidence was lacking among investors, businesses, and consumers despite additional stimulus efforts taken by central banks given the magnitude of the situation.

For instance, California and New York ordered stay-at-home restrictions; more companies withdrew guidance, suspended dividends, and temporarily closed operations, which led to many Americans without a job. The latter

started to be quantified in the weekly initial claims, which increased by 70,000 to 281,000 (Briefing.com consensus 220,000) for the week ending March 14.

To support the financial system, the Fed slashed the target range for the fed funds rate to 0.00%-0.25%, lowered the discount rate to 0.25%, announced a \$700 billion quantitative easing program, increased its daily repo operations, established facilities for commercial paper funding and money market mutual fund liquidity, and coordinated with other central banks to enhance liquidity via standing U.S. dollar liquidity swap line arrangements.

A host of stimulus measures were also taken by other central banks, but investors continued to wait for a massive fiscal response.

Congress passed an \$8.3 billion relief package that provides unemployment and sick leave benefits, and the FHFA suspended foreclosures and evictions for 60 days for enterprise-backed mortgages. The \$1 trillion+ fiscal stimulus package, which includes direct payments to Americans and aid for businesses, continued to be deliberated.

Oil prices tanked 24% one day, then rebounded 23% the next day after President Trump said he will get involved in the price war between Russia and Saudi Arabia at “the appropriate time.” The Wall Street Journal reported that Texas was also considering cutting oil production. For the week, WTI crude still declined 24.3% to \$23.73/bbl.

Boeing went through a tumultuous week with shares losing more than 40%. The company asked for at least \$60 billion of aid, including loan guarantees, for the aerospace industry; Nikki Haley resigned from the Board; and Reuters reported the company is mulling a production pause.

Even safe-haven assets faced selling pressure this week in a move that suggested investors were raising cash, which contributed to the 4.1% surge in the U.S. Dollar Index (102.74). Gold futures declined 2.1% to \$31.57/ozt, and although longer-dated Treasuries were down big, they later recouped most losses. The 2-yr yield declined 14 basis points to 0.37%, and the 10-yr yield increased two basis points to 0.97%.

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