# Weekly Economic Review: March 16th – March 20th, 2020

## Top Headline: Fed Expands Market Support Initiatives

The Federal Reserve announced major expansion of lending programs this morning in an effort to add liquidity to last week's jammed up credit markets. The FOMC said purchases of Treasury and mortgage securities approved last week would be unlimited, the central bank said it would buy $375 billion in Treasury securities and $250 billion in mortgage securities this week, and also said it would purchase commercial mortgage-backed securities issued by government-supported entities. Finally, the Fed said it would launch three new lending facilities, including the Term Asset-Backed Securities Lending Facility (TALF), through which the Fed will lend money to investors to buy securities backed by credit-card loans and other consumer debt. The other two facilities introduced will support corporate credit markets through lending to investment-grade companies and providing bridge financing of four years, and by buying corporate bonds issued by highly rated companies and U.S.-listed ETFs in the investment-grade corporate bond market.

## Other News

The Senate failed to pass legislation over the weekend that would provide $350 billion for small business loans that would be forgiven if firms use them to keep workers on payroll, and $500 billion to allow the Treasury secretary to make loans, loan guarantees or investments to support businesses, states or municipalities. Additionally, the measure included money for expansion of unemployment benefits, direct payments to households, and for hospitals and protective gear. Democrats believe the aid could reward companies in favored industries, and want to set stricter conditions on the aid such that companies are encouraged to retain workers.

## On Tap This Week

The week is highlighted by the third estimate of fourth quarter GDP, as well as jobless claims, consumer sentiment, and the income and consumer spending report for February.

## Past Week's Releases

| Date | | Indicator | Period | Prev. | Exp. | Act. | Comment |
|---|---|---|---|---|---|---|---|
| T | 3/17 | Industrial Production | Feb | -0.5% r↓ | 0.4% | 0.6% | Utilities and manufacturing offset weakness in mining |
| W | 3/18 | Housing Starts ♦ | Feb | 1.624M r↑ | 1.502M | 1.599M | Permits were down on the month but remained significantly up on the year |
| W | 3/18 | Housing Permits ♦ | Feb | 1.550M r↓ | 1.500M | 1.464M | |
| Th | 3/19 | Initial Jobless Claims ♦ | 3/14 | 211K | 219K | 281K | Claims jumped 70K, with many layoffs attributed directly to the coronavirus |
| F | 3/20 | Existing Home Sales | Feb | 5.42M r↓ | 5.50M | 5.77M | Sales remain robust |

Actual < Expected    Actual > Expected    ♦Leading Indicator

## Market Activity

| Indicator | Open | Close | ΔWeek | Δ3M |
|---|---|---|---|---|
| DJIA | 23185 | 19174 | -17.30% | -32.62% |
| S&P 500 | 2711.0 | 2304.9 | -14.98% | -28.45% |
| USD* | 98.75 | 102.82 | 4.12% | 5.25% |
| 10-Year Treasury⁺ | 0.96% | 0.85% | -0.11% | -1.07% |

*ICE U.S. Dollar Index Spot Price

⁺Absolute change in yield over specified period

## Upcoming Releases

| Date | | Indicator | Period | Prev. | Exp. |
|---|---|---|---|---|---|
| T | 3/24 | New Home Sales | Feb | 764K | 750K |
| W | 3/25 | Durable Goods Orders | Feb | -0.2% | -1.0% |
| Th | 3/26 | GDP | Q4(f) | 2.1% | 2.1% |
| Th | 3/26 | International Trade in Goods | Feb | $-65.5B | $-63.5 |
| Th | 3/26 | Initial Jobless Claims ♦ | 3/21 | 281K | 1450K |
| F | 3/27 | Personal Income | Feb | 0.6% | 0.4% |
| F | 3/27 | Consumer Spending | Feb | 0.2% | 0.2% |
| F | 3/27 | Consumer Sentiment ♦ | Mar | 95.9 | 90.0 |

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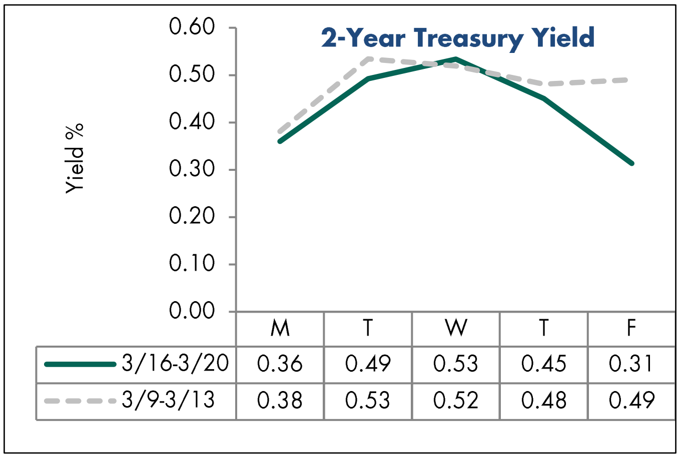
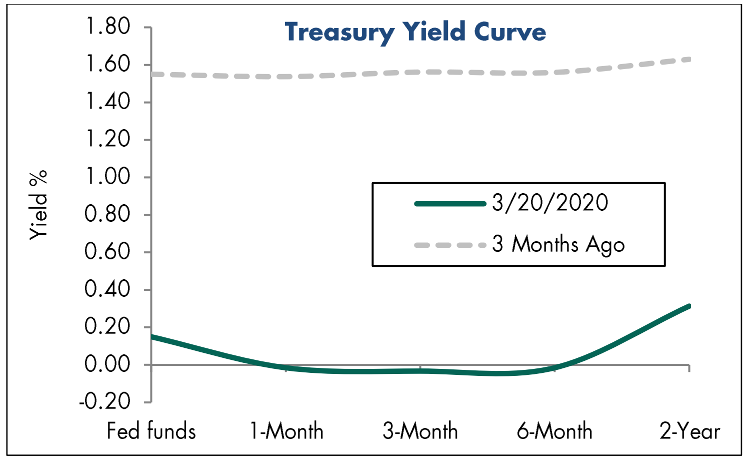
## Yield Curve Highlights




## Detailed Economic Releases

| 3/17/2020 | Prev. | Exp. | Act. |
|---|---|---|---|
| Industrial Production | -0.5% r↓ | 0.4% | 0.6% |

The industrial production index, which covers manufacturing, mining and electric and gas utilities increased on the month. Manufacturing was up 0.1%, while factory output was flat excluding a gain for motor vehicles and a drop for civilian aircraft. Mining fell 1.5%, while utilities increased 7.1% likely due to a return to cooler temperatures following an unusually warm January. Total industrial production was unchanged on the year at 109.6% of its 2012 average, and capacity utilization was up 0.4% to 77.0%.

***Summary: Production levels were up, with strength in utilizes and manufacturing offsetting weakness in mining.***

| 3/18/2020 | Prev. | Exp. | Act. |
|---|---|---|---|
| Housing Starts | 1.624M r↑ | 1.502M | 1.599M |
| Housing Permits | 1.550M r↓ | 1.500M | 1.464M |

While building permits were 5.5% below January's downwardly revised number of 1.550M, they are also up 13.8% on the year. Single-family permits were up 1.7% on the month at 1.004M, while multi-family unit permits were at a rate of 415K. Meanwhile, starts of 1.599M were down 1.5% on the month, but 39.2% up on the year. Single-family starts of 1.072M were up 6.7% on the month. Multi-family starts totaled to 508K. Completions of 1.316M were down 0.2% on the month, and 1.2% on the year. Single-family housing completions of 1.027M were up 14.1% on the month.

***Summary: Permits were down on the month but up almost 14% on the year, while starts followed a similar trend, down slightly on the month while up almost 40% on the year.***

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| 3/19/2020 | Prev. | Exp. | Act. |
|---|---|---|---|
| Initial Jobless Claims | 211K | 219K | 281K |

Claims jumped this week, with some states specifically citing COVID-19 as the reason for layoffs, and many states reporting layoffs in service related industries largely involved in accommodation, food services, transportation and warehousing. This is the highest level of initial claims since September of 2017. The four-week average of 232,250, up by 16,500 from the previous week's average, was also the highest level since January of 2018. Continuing claims of 1.701M were up 2K on the week, with the four-week moving average of 1.703M down by 7K from the previous week.

***Summary: Jobless claims saw their first impact of the coronavirus, as claims jumped by 70K with many stemming from layoffs in service related sectors. Next week's claims is expected to be amongst the highest ever recorded, with layoffs potentially in the millions.***

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| 3/20/2020 | Prev. | Exp. | Act. |
|---|---|---|---|
| Existing Home Sales | 5.42M r↓ | 5.50M | 5.77M |

Total existing home sales jumped by 6.5% on the month, and were also up for the eighth consecutive month on year-over-year basis, up by 7.2%. The median home price was up 8.0% on the month to $270,100, with prices up in every region. Housing inventory was up 5.0% from January, though still down by 9.8% year-over-year. Unsold inventory currently stands at a 3.1-month supply, flat on the month and down from 3.6 months one year ago. Sales of single-family homes came in at 5.17M, up from 4.82M in January. Median prices of these homes also rose, up 8.1% on the year at $272,400. Condominium sales were about flat on the month but 7.1% higher year-over-year, and prices rose 7.0% on the year to $249,900.

***Summary: Sales have remained robust, with prices and inventory up, and turnover quickening.***

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## About Us

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Headquartered in metropolitan Boston, Capital Advisors Group maintains multiple U.S. regional offices.

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