

Market Update

March 23, 2020

Treasuries

Treasury Curve	Today	Week Change
3 Month	-0.03%	-0.18%
6 Month	-0.03%	-0.23%
1 Year	0.06%	-0.14%
2 Year	0.31%	-0.03%
3 Year	0.33%	-0.10%
5 Year	0.40%	-0.11%
10 Year	0.76%	-0.02%
30 Year	1.37%	-0.01%

Short-Term Rates

Fed Funds	0.25%
Prime Rate	3.25%
3 Mo LIBOR	1.20%
6 Mo LIBOR	0.99%
12 Mo LIBOR	0.93%
Swap Rates	
3 Year	0.481%
5 Year	0.533%
10 Year	0.709%

Economic Calendar

Date	Statistic	For	Briefing Forecast	Market Expects	Prior
Mar 24	New Home Sales	Feb	750k	750k	764k
Mar 25	Durable Goods Orders	Feb P	-1.0%	-1.0%	-0.2%
Mar 25	Durables Ex Transportation	Feb P	-0.4%	-0.4%	0.8%
Mar 26	Advance Goods Trade Balance	Feb	-\$64.5b	-\$63.5b	-\$65.9b
Mar 26	Fourth Quarter GDP	4Q T	2.1%	2.1%	2.1%
Mar 27	Personal Income	Feb	0.4%	0.4%	0.6%
Mar 27	Personal Spending	Feb	0.3%	0.2%	0.2%
Mar 27	PCE Core Inflation YoY	Feb	1.8%	1.7%	1.6%
Mar 27	U. of Michigan Sentiment	Mar F	93.3	89.5	95.9



📅 Top 5 Events for the Week

MARCH 23-27, 2020

1. Coronavirus Developments—All Week
2. Fed Actions—All Week
3. February Personal Income & Spending—Friday
4. February Durable Goods Orders—Wednesday
5. February Advance Goods Trade Balance—Thursday

Fiscal Stimulus Expected

Since their emergency rate cut last Sunday the Fed has been hyperactive in instituting new programs in order to provide liquidity and apply some cushion to the economic fall. The Fed quickly grasped the gravity of the situation and the coming dive in economic output with an array of programs that we thought/hoped we wouldn't have to see again after the financial crisis, but here we are. The Fed moved again this morning vowing an open-ended QE program in size and scope and also announcing that a Main Street Business Lending Program will soon be formally announced. The Fed news sent equity futures higher and Treasuries rallying also. The Senate is expected to follow up on two bills passed last week with much larger stimulus efforts including checks to most adult Americans, subject to income limits. The bill is facing issues and the longer it's delayed the risk-off mood will return. Also, this should be the week we start to see whether social distancing is helping slow the growth in new virus cases. With several states instituting stay-at-home orders, some leveling off of new cases is expected and hopefully shifts us away from the Italian experience. If that is not the case, and exponential growth continues, it will prompt another round of flight-to-safety trades in Treasuries.

1. COVID-19 Developments –All Week

This could be the week that we really start to see whether social distancing practices are helping staunch the growth in COVID-19 cases being experienced across the nation. Last week saw case numbers really start to accelerate in several areas namely New York, California and Florida. With several states instituting stay-at-home orders we hope to see some leveling off of new cases and shift us off the distressing Italian experience, but if that is not the case and exponential growth continues it could prompt another round of flight-to-safety trades in Treasuries. Here's hoping the social distancing starts to produce results.

2. Fed and Congressional Actions-All Week

Since their emergency rate cut last Sunday the Fed has been hyperactive in instituting new programs in order to provide liquidity and apply some cushion to the coming economic fall. The Fed quickly grasped the gravity of the situation and the coming dive in economic output with an array of programs that we thought/hoped we wouldn't have to see again after the financial crisis, but here we are. The Fed moved again this morning vowing an open-ended QE program in size and scope and also announcing that a Main Street Business Lending Program will soon be formally announced. Meanwhile, Congress is expected to follow up on two bills passed last week with the major stimulus efforts including checks to most adult Americans subject to income limits. How these bills move through Congress will impact the risk-on/risk-off mood so stay tuned for Capitol Hill developments.

3. February Personal Income & Spending –Friday

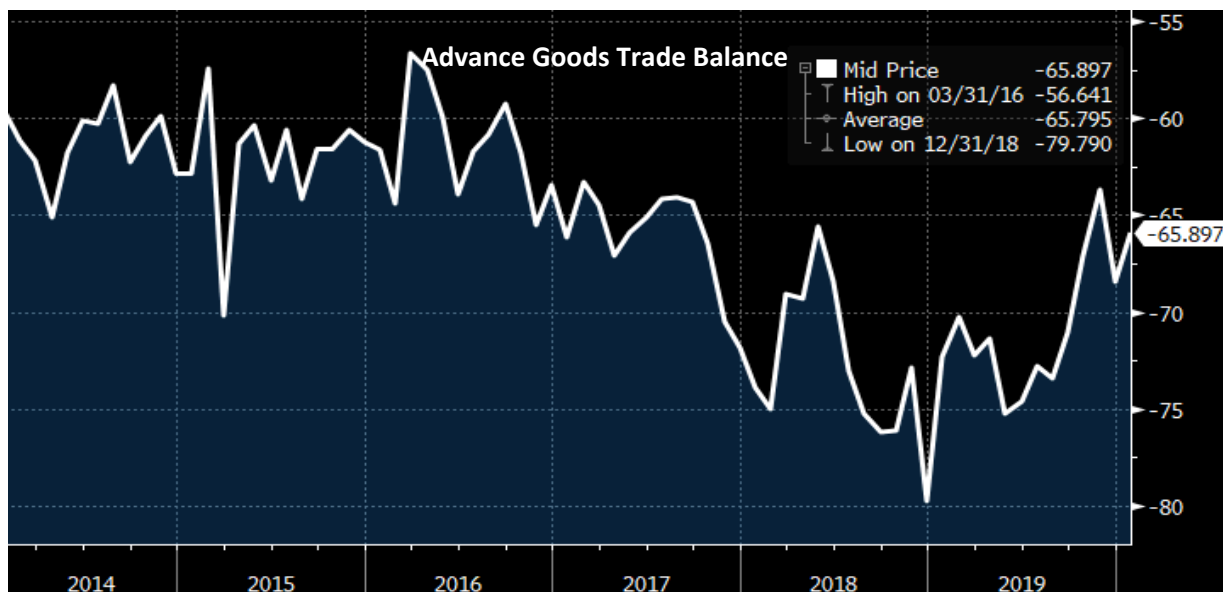
Not that February data will get much attention, the personal income and spending numbers will at least give us the state of the consumer prior to the swan dive that no doubt happened in March. For the month, income is expected to have increased 0.4% versus 0.6% in January. Spending is expected to have increased 0.2% matching the gain in January. The Fed's preferred inflation measure, core PCE, is expected to increase 0.1% for the month matching the January increase while year-over-year it's expected to increase one-tenth from 1.6% to 1.7%.

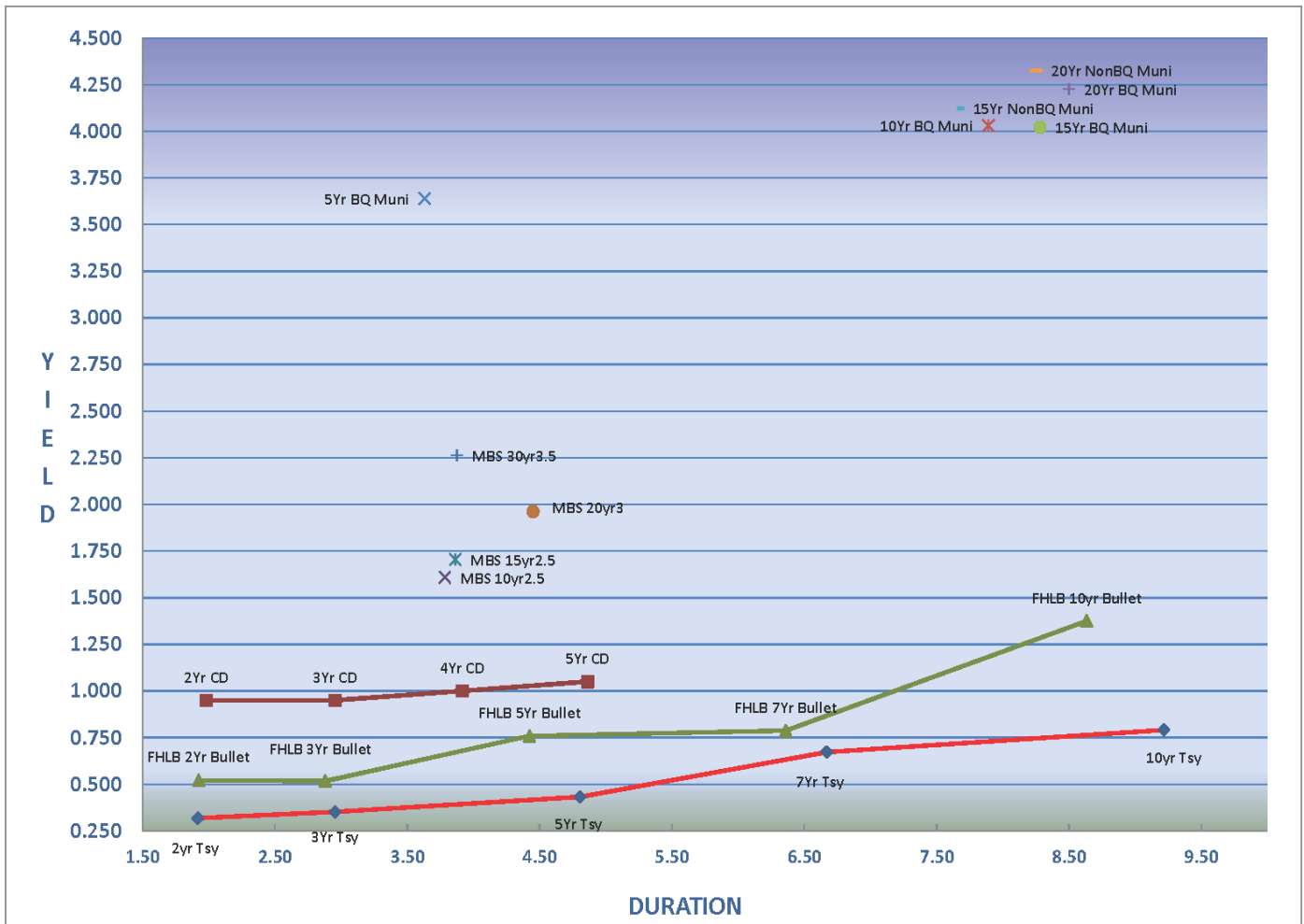
4. February Durable Goods Orders –Wednesday

More February data that will give us the state of the economy prior to the sea change in March and the durable goods numbers for February arrive on Wednesday. For the month, overall orders are expected to decrease -1.0% versus a slight -0.2% dip in January. Orders ex the volatile transportation sector are expected to be lower at -0.4% versus 0.8% the prior month. Shipments of nondefense ex-aircraft (a proxy for business investment) are also expected to be down at -0.2% versus 1.0% in January.

5. February Advance Goods Trade Balance–Thursday

The February goods trade balance is expected to narrow slightly to -\$63.5 billion versus -\$65.9 billion in January. The trade deficit has ranged from a twelve-month wide of -\$75.2 billion last May to a narrow -\$68.7 billion in November. The deficit was -\$72.3 billion a year ago, so with all the trade-related headlines and tariffs, the deficit is expected to have narrowed by \$9 billion over the last year but we are in store for much bigger changes in March and the next several months as the impact of the spreading virus are felt.





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