



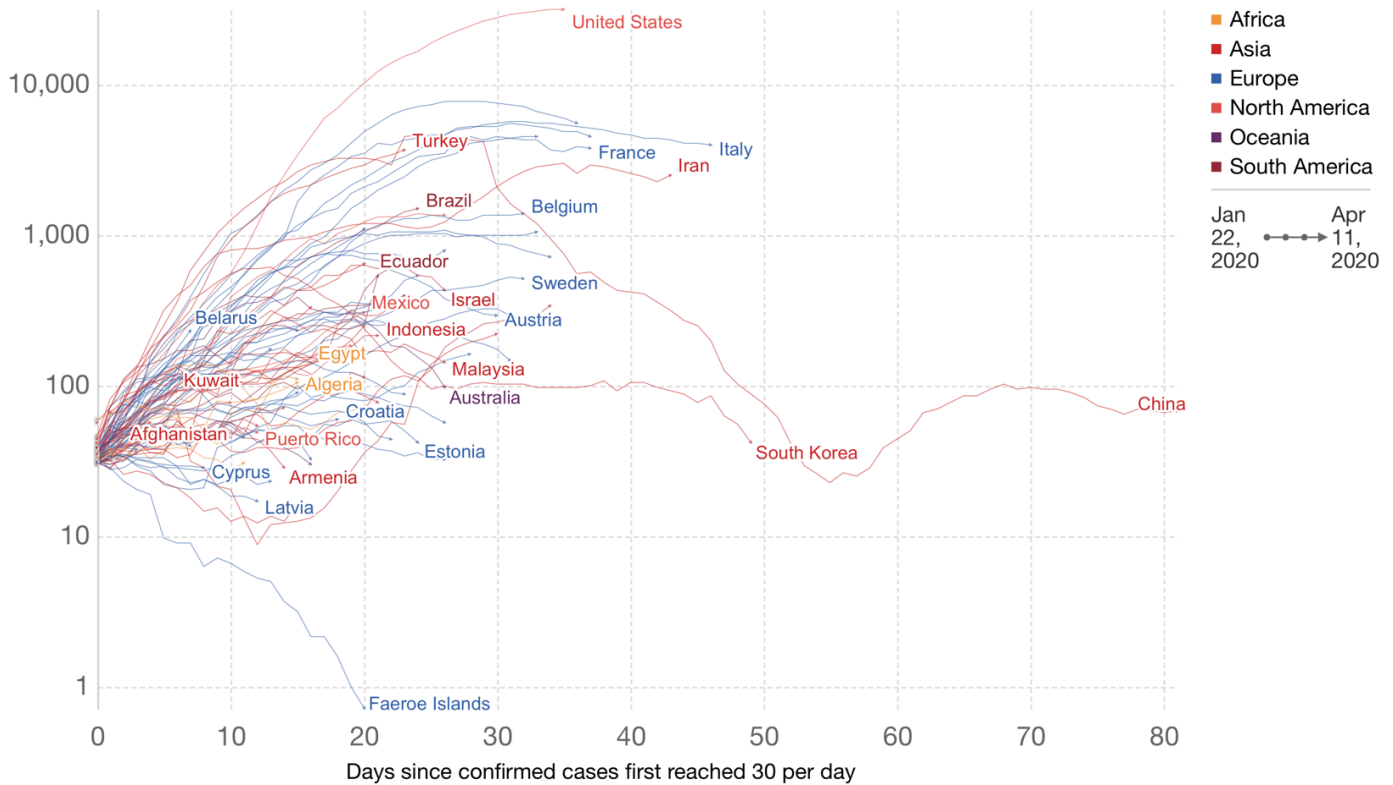
**COVID-19 – The End of the beginning**

**What is the updated Covid-19 situation?**

Governments around the globe have enacted various levels of lockdowns, social distancing, and closures of sectors in their economies in an attempt to bring the spread of the coronavirus under control. The measures are having the desired effect as most countries are flattening the curve in the spread of the virus. The next step for global governments will be to engage in widescale testing of their citizens to monitor the containment of the virus as they begin to plan for re-opening their economies.

**Daily confirmed COVID-19 cases**

Because not everyone is tested the total number of cases is not known. Shown is the 7-day rolling average of confirmed cases.



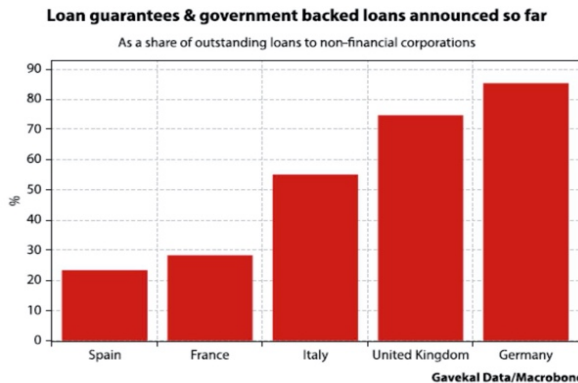
Source: European CDC – Situation Update Worldwide – Last updated 11th April, 10:45 (London time) OurWorldInData.org/coronavirus • CC BY

## Governmental efforts

Several major countries have enacted programs resulting in massive and unprecedented economic stimulus bills and income support programs. Japan proposed the most recent major stimulus program this past week with a package equivalent to about 20% of the nation's economic output. Europe has put programs in place that protect the wages of employees for up to twelve months along with loans and guarantees to large portions of their business community.

### Europe: Policy aims to protect productive capacity

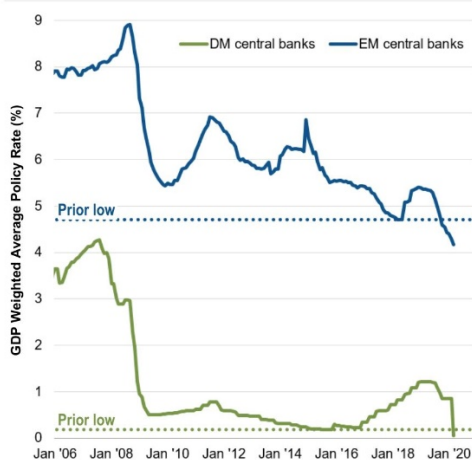
Short-time working schemes		
Country	Scheme Description	Duration
Germany <i>Kurzarbeit</i>	Up to 60% of after-tax wages (67% if the claimant has children)	12m
France <i>Chômage partiel</i>	Up to 70% of gross wages up to €6,827/month	12m
Italy <i>CIGO</i>	80% of total remuneration for hours not worked due to Covid-19	9w+
Spain <i>ETRE</i>	Temporarily suspended workers can claim 70% of their salaries as social security; excludes 2.5mn temp workers	Until end Covid-19 impact
UK	Up to 80% of wages of furloughed workers up to £2,500/month	3m+



Along with these government programs, global central banks have moved swiftly to lower interest rates. They have also quickly entered securities markets to purchase corporate, mortgage-backed and government bonds, providing liquidity to keep these markets functioning smoothly.

### Global monetary policy reacting with unprecedented speed and scope

#### Central bank policy rates fell to new lows...

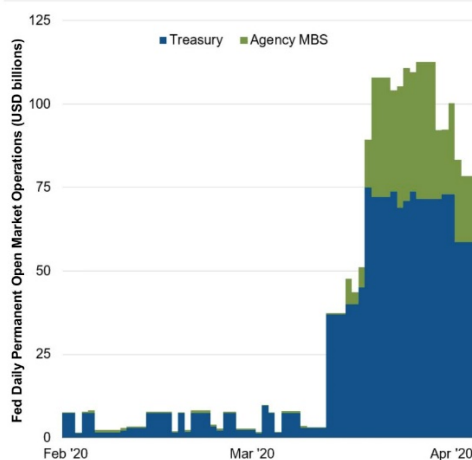


As of 3 April 2020

Past performance is not a guarantee or a reliable indicator of future results

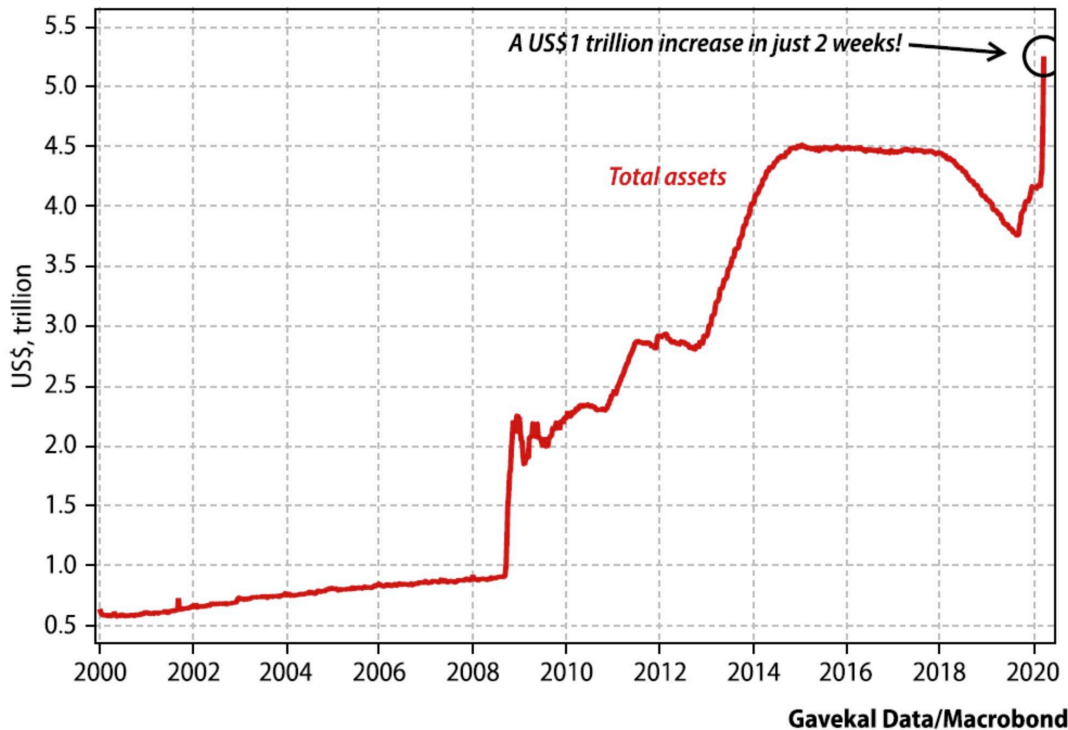
Left chart: DM includes Australia, Euro Area, Canada, Japan, Sweden, Switzerland, United Kingdom, United States. EM includes Brazil, Chile, China, Colombia, India, Indonesia, South Korea, Malaysia, Mexico, Peru, Poland, Russia, Singapore, South Africa, Taiwan, Thailand and Turkey.  
Source: PIMCO, Haver, Bloomberg

#### ...while asset purchases reach new highs



Here in the United States, Congress is working on an additional \$250 billion in funding for the recently enacted small business loan program which has seen great interest and applications. The program has been overwhelmed by the response and the expectation is that demand will outstrip the \$349 billion that was originally set aside. The Federal Reserve has dramatically increased its purchase of securities to keep markets running and boost the economy. Its balance sheet has now grown to over \$5 trillion.

### The Fed's balance sheet has exploded



### What has been the market impact?

After a rocky month of March where the S&P 500 averaged a daily move of 5.2%, the global equity markets responded strongly to last week's news about the flattening coronavirus cases and the governmental stimulus efforts. The week saw the Dow Jones and S&P 500 gain a bit over 12% which was one of the top ten weekly gains for the Dow Jones in the history of the index. Market rallies like this during times of heightened volatility can quickly reverse depending on the news flow, but clearly investors were encouraged by all of the recent developments.

Consumer prices fell in March by 0.4% primarily due to the 10.5% month over month drop in gasoline prices. Inflation should continue to moderate during the economic slowdown. For the time being we will see ebbs and flows between the deflationary forces of slower consumer and corporate activity and the inflationary (or reflationary!) forces of US and international stimulus policies and actions.

The timing of a durable recovery in the markets and the economy will be dictated by developments in the healthcare arena. As we write this, there are more than 140 experimental drug treatments and vaccines in development worldwide. Counting drugs approved for other diseases, there are 254 clinical trials testing treatments or vaccines for the virus with hundreds more trials planned.

Even though the timing is impossible to predict at this point, we know that markets do begin to rebound even when headlines are bad. For instance, one of the worst months for new unemployment claims was March 2009, which is also when the previous bull market started. The bad news didn't end that March, but it didn't stop the bull market. Chrysler filed for bankruptcy in May 2009; GM filed the following month; and, foreclosures hit a record high in January 2010.

Economic events move from one phase to the next. As this news cycle moves from increasing cases and hospitalizations to flattening the curve and countries beginning discussions of how to reopen their economies, we seem to be moving to the next phase. We know we have a distance to go, and, to paraphrase Churchill, this is not the end, but it is perhaps the end of the beginning. We are encouraged by the data showing the progress that individual countries are making on the spread of the virus, and wide-spread testing and re-opening of their economies is the next step in the process. A solution to this virus will be found, and as it always has done in the past, our economy will reach new levels of prosperity in the future.

We will talk to you soon.

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