

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

MARCH 12, 2020

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

The lack of sufficient testing makes it difficult to assess the spread of COVID-19. The increase in social distancing (avoiding crowds, reduced tourism and travel, canceled spectator events) should slow the spread and prevent hospitals from being overrun with infected cases. However, social distancing will also result in a more significant impact on the economy, likely pushing the U.S. into a recession in the near term. Last week, we saw liquidity issues in the credit markets. That this arrives ahead of much of the economic impact is worrisome. The Federal Reserve reacted quickly, announcing \$1.5 trillion in support for the money markets and a significant increase in asset purchases.

Lower interest rates, lower gasoline prices and expected fiscal stimulus should help to limit (but not prevent) the downside to the economy and should help propel the rebound once the coronavirus passes. However, the downturn may be severe and longer-lasting, and there could be more permanent adjustments to consumer behavior. We don't know for sure since we don't know much about how far the virus will spread and how consumers will respond. This radical uncertainty has had a major impact on the financial markets and we can expect volatile conditions as investors try to better assess the situation over time.

Next week, the Federal Open Market Committee is expected to lower short-term interest rates further, most likely by 100 basis points, dropping the target range for the federal funds rate to 0-0.25%. Senior Fed officials will also put forth revised projections of GDP growth (4Q/4Q), unemployment and inflation. We'll get a new dot plot. Chair Powell will be there to explain it all. Regarding the economic data, February is not a big month for retailers and it's too soon to see much of an impact on sales from COVID-19.

Indices

	Last	Last Week	YTD return %
DJIA	21200.62	26121.28	-25.71%
NASDAQ	7201.80	8738.60	-19.74%
S&P 500	2480.64	3023.94	-23.22%
MSCI EAFE	1491.75	1856.73	-26.77%
Russell 2000	1122.93	1478.82	-32.70%

Consumer Money Rates

	Last	1 year ago
Prime Rate	4.25	5.50
Fed Funds	1.25	2.40
30-year mortgage	3.63	4.40

Currencies

	Last	1 year ago
Dollars per British Pound	1.257	1.334
Dollars per Euro	1.119	1.133
Japanese Yen per Dollar	104.64	111.17
Canadian Dollars per Dollar	1.393	1.330
Mexican Peso per Dollar	21.940	19.285

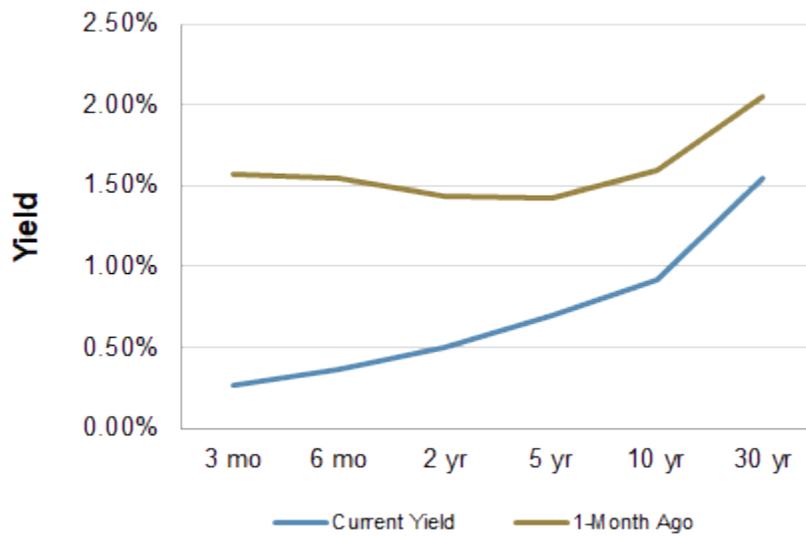
Commodities

	Last	1 year ago
Crude Oil	31.50	58.26
Gold	1590.30	1309.30

Bond Rates

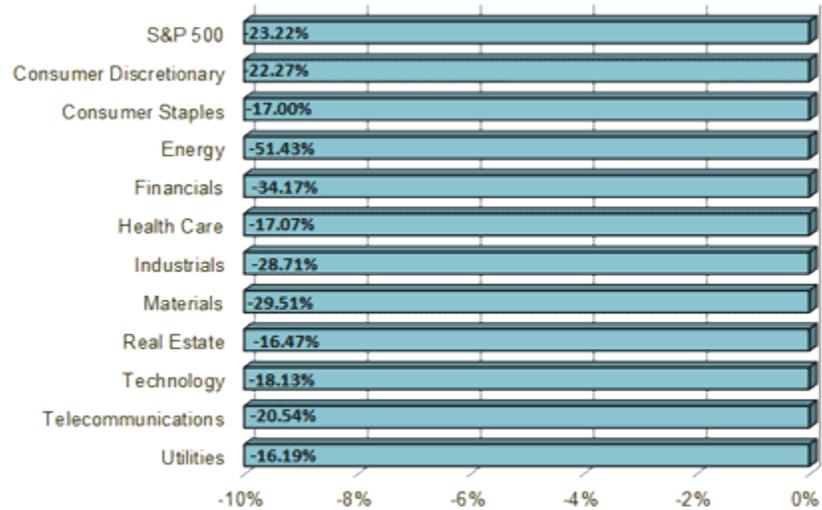
	Last	1 month ago
2-year treasury	0.50	1.43
10-year treasury	0.92	1.60
10-year municipal (TEY)	2.57	1.88

Treasury Yield Curve – 03/07/2020



As of close of business 03/06/2020

S&P Sector Performance (YTD) – 03/07/2020



As of close of business 03/06/2020

Economic Calendar

- | | | |
|-----------------|---|---|
| March 17 | — | Retail Sales (February) |
| | — | Industrial Production (February) |
| | — | Homebuilder Sentiment (March) |
| March 18 | — | Building Permits, Housing Starts (February) |
| | — | FOMC Policy Decision |
| | — | Fed Summary of Economic Projections |

March 25	—	Durable Goods Orders (February)
March 31	—	CB Consumer Confidence (March)
April 1	—	ISM Manufacturing Index (March)
April 3	—	Employment Report (March)
April 10	—	Good Friday Holiday (markets closed)
April 29	—	FOMC Policy Decision

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Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business March 12, 2020.

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