Citizens Bank & Trust

BTC CAPITAL MANAGEMENT ™

Markets continue to sell-off as the western world shuts down business to minimize the spread of COVID-19 (coronavirus). The S&P 500 was down 12.5% on the week and held up better than other global indices. Domestic small caps were down 21.5% on the week and 41.7% from their highs a couple weeks ago. Emerging market equities are coming under stress as the U.S. dollar is staging a sharp rally. Diversifying assets are providing no help as hedge fund liquidations and other strategies are forced to sell bonds along with all assets. The Bloomberg Barclays Aggregate Bond Index was down 4.0% on the week and gold was off sharply.

Economic data from February has little meaning and the market is turning to more high frequency data. One example is data provided by OpenTable, an online reservation company. On the last day of February online restaurant bookings throughout the country were up 2% versus the prior year. On March 17, the number had fallen all the way to -84%. Traffic congestion is another indicator and it also shows staggering drops across the globe.

As markets drop daily the central banks are rolling out the 2008 playbook to shore up confidence. We highlighted some of these in yesterday's Insight Extra. The latest one was released last night and included a backstop of the $800 billion in prime money market funds. The European Central Bank in an emergency meeting continued with the alphabet soup of programs by announcing the Pandemic Emergency Purchase Program (PEPP). The PEPP will purchase up to €750 billion of assets. This expands on an existing asset purchase program but does go further by including more eligible securities. Despite aggressive central bank action, the market is waiting for policy from Congress and the Treasury Department on a path forward that will stem the contraction and fear feeding into the credit markets.

Corporate bond spreads have widened materially in the last week. The key company in focus remains Boeing, whose stock has seen an unprecedented fall of roughly 75% in about a month. Once a staple of stability, the market is pricing default probabilities that are two times as high as they were during the 2008-2009 recession. This of course has significant knock-on effects to its suppliers such as General Electric. This feedback loop continues to drive markets and will likely remain in place until appropriate policy action is enacted. Eventually this will happen, but politicians often underappreciate the speed in which action needs to be taken. Thus, risk assets overshoot to the downside.

Weekly Market Topics

- Economy
- Fixed Income Markets
- Equity Markets

Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	0.25	2.50	1.00
3-Month T-Bill	-0.01	2.44	0.73
10-Year Treasury	1.19	2.61	2.50
30-Year Treasury	1.79	3.02	3.11
10-Year Corporate AA	3.14	3.39	3.37
10-Year High Yield Corp	6.52	5.93	5.93

Commodity Prices ($)	Current	12M Ago	3YR Ago
Gold ($/oz.)	1,486.05	1,306.56	1,229.26
Oil (WTI, $/barrel)	20.37	59.45	50.09

Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	101.16	96.38	100.30
USD/EUR	0.92	0.88	0.93
USD/JPY	108.08	111.39	112.70

For more information, contact:
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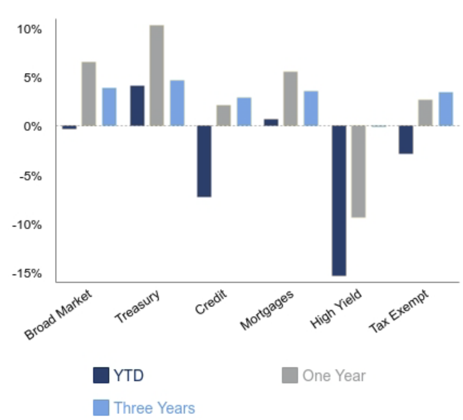
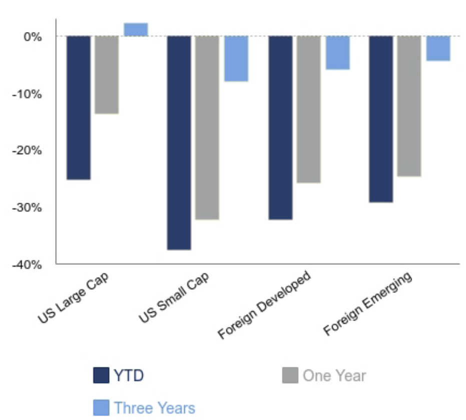
Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.
The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.