ECONOMY
The most anticipated report this week was the jobless claims report, which was released on Thursday. Weekly jobless claims exploded by 3.001 million to 3,283,000 during the week ending March 21st. To put these figures in perspective the previous high was 695,000 claims back in October 1982. During the Great Recession (2009-2009) weekly claims peaked at 665,000. Up until March, U.S. employers added jobs for a record 113 straight months, causing payrolls to increase by 22 million. In other news this week, new orders for durable goods increased by 1.2% in February. Core capital goods orders decreased by 0.8% and core capital goods shipments declined by 0.7%. Core capital goods orders are one of the best leading indicators for the U.S. economy, and core capital goods shipments are used by the government to calculate business investments for GDP purposes. Sadly, these numbers will be changing dramatically over the next several months. Finally on Tuesday new home sales came in better than expected posting a decline of 4.4% in February to 765,000 units at an annual rate. The median price of a new home sold is now at $345,900, an increase of 7.8% over the past 12 months.

Fixed Income/Credit Market
On Thursday, Fed president Jerome Powell reiterated the FOMC’s stance to do whatever it takes to help stymie the long-term effects of a global recession. After a series of unprecedented accommodative measures the past three weeks, President Powell stated, “When it comes to this lending, we’re not going to run out of ammunition” while making a rare TV appearance on NBC. The rhetoric and bond buying programs that were implemented have eased some investor fears which in turn drove U.S. Treasury volatility lower on the week. The MOVE Index (Merrill Lynch Option Volatility Estimate) which is a yield curve weighted index of volatility on 1-month Treasury options dropped from a one-year high of 163.7 on March 9th to 88.3 on Friday, approximately 1 standard deviation above the one-year mean of 70.8. Week-over-week, yields on the U.S. Treasury curve were anywhere from 0.1 basis points (bps) higher to 15.8 bps lower. The 10-year Note traded in an 18 bps range this week from approximately 0.69% to 0.87%, compared to last week’s 47.4 bps range.

What Caught Our Eye This Week
Corporate insiders are defined as a company’s officers, directors and any beneficial owners of more than 10% of the company stock. These insiders are not supposed to trade based on non-public information and are required to disclose all their purchases under rules enforced by government regulators. Tracking the timing and amounts of their stock purchases, however, can be highly informative. These are the individuals with the deepest knowledge of their company stock, and they have been buying at levels not seen in many years. More than 2,800 executives and directors have purchased $1.19 billion in company stock since the beginning of March. According to the Washington Service, which tracks insider activity, that is the highest third level on both an individual and dollar basis since 1988. Further, insiders from 1,201 companies have purchased shares in March. That is up from 558 companies in February. This is often viewed as a good indicator because it captures sentiment across the broader market. Energy, financials, and materials, the sectors that are down further than the broader market, have seen the most insider buying. While insiders sell for many reasons (e.g., when they need cash or want to diversify), they buy only when they think their organization’s stock is too cheap. The recent upswing in corporate insider purchases suggests that the risk/reward for their company’s stock looks favorable.

Equities
Equities opened lower on Monday as the Senate failed to pass a nearly $2 trillion economic rescue package. The bill failed because Democrats argued that the plan did not provide adequate protection for workers and that it needed more restrictions on companies bailed out by the government. Although the bill failed Monday optimism about the passage led markets higher by approximately 10% on the S&P 500 and almost 13% on the Dow Jones Industrial Average between Tuesday and Thursday. Despite a record unemployment number on Thursday, markets rallied on the economic relief package that was unanimously passed in the Senate. The record setting three-day rally did reverse on Friday as investors continue to assess the long-term economic impact of the pandemic. After Friday’s close President Donald Trump signed the $2.2 trillion relief bill. The volatility index closed at 65.54. Moreover, according to Bloomberg, the top performing sector on the week was utilities up 17.7% and the laggard was communication services up 5.5%.

Our View
Due to the lack of an immediate medical solution to Covid-19, governments around the world have resorted to social distancing and lockdown measures in order to mitigate the spread of the virus. Moreover, approximately 50% of the U.S. population is now subjected to some form of governmental restraint, which is substantially impacting the economy. The first glimpse of the economic damage arrived when initial jobless claims for the week ending March 21st skyrocketed to 3.28 million and easily surpassed the previous record of 695,000 back in 1982. Both the Fed and the government officials are cognizant that economic data is going to deteriorate further and they have been extremely active this week. In terms of monetary stimulus, the Fed expanded its quantitative easing program by removing the cap and making it open ended while adding agency CMBS to its pool of eligible assets. The Fed also established two facilities to purchase investment grade corporate debt on both the primary and secondary markets, resurrected the Term Asset-Backed Securities Loan Facility and created the money market mutual fund and commercial paper funding facilities. On fiscal front, both sides of Congress passed a $2 trillion stimulus bill that will be broad reaching and help individuals, businesses, states and local governments as well as other entities cope with the economic hardships to come. With that being said, the level of fiscal and monetary stimulus is monumental in terms of its breadth and size. But there is little doubt that the true recovery will come when the rate of new Covid-19 cases begins to meaningfully fall which means we must rely heavily on the medical community in the weeks and months to come. The Milken Institute currently estimates that there are 58 institutions working on Covid-19 treatment therapies and 43 are embarking on the development of a vaccine. Thus, the amount of resources and talent devoted to addressing Covid-19 is sizable and even though successful results are not right around the corner, the medical field should be able to provide some much-needed relief in the near future. In the meantime, the dramatic and timely monetary and fiscal measures taken thus far can help ease the pain of the pandemic.