First Trust

Weekly Market Commentary

Week Ended March 20th, 2020

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	-0.033 (-27.7 bps)	GNMA (30 Yr) 6% Coupon:	110-10/32 (3.54%)
6 Mo. T-Bill:	-0.015 (-35.9 bps)	Duration:	3.72 years
1 Yr. T-Bill:	0.084 (-23.5 bps)	Bond Buyer 40 Yield:	4.31 (61 bps)
2 Yr. T-Note:	0.313 (-17.7 bps)	Crude Oil Futures:	22.43 (-9.30)
3 Yr. T-Note:	0.373 (-22.7 bps)	Gold Spot:	1,498.65 (-31.18)
5 Yr. T-Note:	0.459 (-25.8 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.845 (-11.5 bps)	U.S. High Yield:	10.81 (257 bps)
30 Yr. T-Bond:	1.417 (-11.2 bps)	BB:	8.57 (228 bps)
		B:	11.82 (281 bps)

In historic fashion, last weekend the Federal Reserve fired the proverbial "bazooka" at the coronavirus. The Federal Reserve cut its benchmark interest rate to 0.00%-0.25%, the lowest since December 2015, and implemented a repurchase agreement of $700 billion worth of Treasury debt and mortgage-backed securities. The Federal Reserve Chairman Jerome Powell stated the central bank has no intention to push the benchmark interest rate below zero. Throughout the week, numerous cities and states ordered shelter-in-place orders and the Federal government has closed the borders to non-essential travel in efforts to further combat the coronavirus. In response, US Treasury bond yields were down for the week as investors favored safe haven assets fearing an economic slowdown. As for February economic data, new home sales declined for the month but still beat the consensus estimate, while existing home sales rose 6.5%, easily beating estimates. Industrial production in February rose 0.6%, beating estimates. Retail sales dipped in February by half a percent, below the consensus estimate of 0.2% growth. The dip in sales was largely due to gas stations and autos. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: February Chicago Fed National Activity Index (n/a, -0.25); Tuesday: March Preliminary Markit Us Manufacturing PMI (45.0, 50.7), March Preliminary US Services PMI (44.0, 49.4), March Preliminary US Composite PMI (n/a, 49.6), February New Home Sales (750K, 764K), March Richmond Fed Manufacturing Index (-10, -2); Wednesday: March 20 MBA Mortgage Applications (n/a, -8.4%), February Preliminary Durable Goods Orders (-1.0%, -0.2%), January FHFA House Price Index MoM (0.4%, 0.6%); Thursday: February Preliminary Wholesales Inventories MoM (n/a, -0.4%), 4Q Third GDP Annualized QoQ (2.1%, 2.1%), March 21 Initial Jobless Claims (750K, 281K), March 22 Bloomberg Consumer Comfort Index (n/a, 63.0); Friday: February Personal Income (0.4%, 0.6%), February Personal Spending (0.3%, 0.2%), March Final University of Michigan Sentiment Index (93.3, 95.9).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	19,173.98 (-17.29%)	Strong Sectors:	Cons Staples, Comm Services, Cons Disc
S&P 500:	2,304.92 (-14.95%)		
S&P Midcap:	1,258.73 (-18.61%)	Weak Sectors:	Real Estate, Energy, Industrials
S&P Smallcap:	604.59 (-16.68%)		
NASDAQ Comp:	6,879.52 (-12.62%)	NYSE Advance/Decline:	184 / 2,892
Russell 2000:	1,013.89 (-16.14%)	NYSE New Highs/New Lows:	23 / 2,714
		AAII Bulls/Bears:	34.4% / 51.1%

Despite central bank action, equities plunged with coronavirus cases topping 15,000 in the U.S. In addition, New York, Illinois and California instituted shelter-in-place orders and President Donald Trump said "non-essential" travel will be placed on hold with both Canada and Mexico. In response, the Federal Reserve cut rates to 0% and set up emergency facilities to support the dollar, money market funds and municipal debt. Airlines, energy and retail REITs were a few of the hardest hit segments of the market for the week, while grocery stores, technology stocks and household products held up better. While stocks across the board were lower, names with stronger balance sheets and higher profitability outperformed peers with higher debt levels and lower margins. **JP Morgan Chase & Co.** fell by over 19% for the week as firms drawdown credit lines to support current liquidity needs, hurting lenders. **Marriott International** suspended its dividend and withdrew guidance as the largest hotel chain by market capitalization furloughs workers and closes down many of their locations due to low occupancy rates. Looking ahead, the spread of the virus will continue to drive market moves. The initial jobless claims due out Thursday will be one of the first glances into the damage the virus is wreaking on the economy.