# Weekly Update
# Fed Moves to Cut Outbreak Impact
March 6, 2020

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## The Economy

- This week, the Federal Reserve (Fed) cut its benchmark interest rate by 50 basis points—primarily in an effort to counteract the economic drag introduced by the coronavirus (COVID-19) outbreak, but also to support maximum employment and encourage price stability.
- The U.S. economy added a greater-than-expected 273,000 jobs in February. Unemployment edged 0.1% lower to 3.5%, and year-over-year average hourly earnings climbed by 3.0%. Looking ahead, 2020 may see a slowdown in job growth amid a softening economy and low unemployment.
- Mortgage-purchase applications sunk by 3.0% for the week ending February 28, while refinancing applications surged by 26.0%. The average interest rate on a 30-year fixed-income mortgage retreated to 3.29%—its lowest level on record—on fears that COVID-19 may continue to hurt the U.S. economy.
- Construction spending surged by 1.8% in January. Private spending on residential buildings was especially robust, with single-family construction advancing by 2.8%.
- Markit's manufacturing purchasing managers' index (PMI) dipped from 51.9 to 50.7 in February. A similar report from The Institute for Supply Management (ISM) showed a corresponding decline. While manufacturing activity slowed during the month, it remained in expansion territory (above 50).
- Markit's service PMI fell into contraction, moving from 53.4 to 49.4 in February. ISM's non-manufacturing PMI expanded from 55.5 to 57.3.
- Initial jobless claims for the week ending February 29 increased by 1,000 to 216,000. The more stable four-week moving average moved higher by 3,250.
- U.S. non-farm productivity grew by 1.2% in the fourth quarter of 2019 as output increased at a faster pace than number of hours worked. Productivity improves when the rate of output is greater than that of hours worked.
- The U.S. Census Bureau reported a larger-than-expected 0.5% slump in new factory orders for January. A decline in demand for transportation equipment offset increased machinery orders.
- Motor-vehicle sales accelerated by 16.8 million in February. Economists anticipate sales will exceed the threshold of 17 million in 2020 due to plentiful available consumer credit, low unemployment and healthy consumer sentiment.
- The U.S. trade deficit narrowed by more than expected in January on contracting import activity. COVID-19 is expected to further disrupt the flow of goods and services, which would impact the trade deficit in the near-term.
- China's manufacturing PMI fell to 35.7 in February, the lowest level since the survey began in 2004, as COVID-19 concerns slowed its economic activity and disrupted supply chains.

## U.S. Economic Calendar

- March 11: Consumer Price Index
- March 12: Producer Price Index, Initial Jobless Claims
- March 13: Import and Export Prices, Consumer Sentiment

## Stocks

- Global equity markets were positive this week; emerging markets outperformed developed markets.
- U.S. equities were negative. Utilities and consumer staples performed best, while energy and financials lagged. Growth stocks led value, and large caps beat small caps.

## Bonds

- The 10-year Treasury bond yield moved lower to 0.78%, hitting a new all-time low. The global flight to the perceived safety of government debt continued during the week.
- Global bond markets were positive this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

| The Numbers as of March 6, 2020 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | 2.5% | -7.0% | 5.6% | 525.6 |
| MSCI EAFE ($) | 2.6% | -8.8% | -0.1% | 1856.7 |
| MSCI Emerging Mkts ($) | 3.4% | -6.8% | -0.4% | 1039.3 |
| **U.S. & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | 1.8% | -9.4% | 1.6% | 25868.4 |
| S&P 500 ($) | -0.6% | -9.1% | 6.9% | 2937.3 |
| NASDAQ ($) | 0.0% | -4.5% | 15.5% | 8568.4 |
| S&P/ TSX Composite (C$) | -0.9% | -5.5% | 0.4% | 16117.2 |
| **U.K. & European Equities** | | | | |
| FTSE All-Share (£) | -2.0% | -14.2% | -8.3% | 3601.0 |
| MSCI Europe ex UK (€) | 1.4% | -7.4% | 3.3% | 1332.9 |
| **Asian Equities** | | | | |
| Topix (¥) | -2.6% | -14.5% | -8.1% | 1471.5 |
| Hong Kong Hang Seng ($) | 0.1% | -7.2% | -9.1% | 26146.7 |
| MSCI Asia Pac. Ex-Japan ($) | 3.5% | -4.7% | 0.8% | 526.9 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -1.6% | -18.6% | -12.5% | 2374.3 |
| Mexican Bolsa (peso) | 0.0% | -5.1% | -0.8% | 41310.7 |
| Brazilian Bovespa (real) | -6.7% | -16.0% | 3.0% | 97147.5 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | -7.8% | -32.4% | -27.1% | 41.3 |
| Gold Spot Price | 5.2% | 9.4% | 29.6% | 1665.9 |
| **Global Bond Indexes ($)** | | | | |
| Bloomberg Barclays Global Aggregate ($) | 1.3% | 3.3% | 9.4% | 528.6 |
| JPMorgan Emerging Mkt Bond | 1.8% | 2.7% | 12.3% | 905.9 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -37 | -114 | -186 | 0.78% |
| UK Gilt | -21 | -59 | -94 | 0.23% |
| German Bund | -10 | -52 | -78 | -0.71% |
| Japan Govt Bond | 3 | -11 | -11 | -0.12% |
| Canada Govt Bond | -41 | -98 | -104 | 0.73% |
| **Currency Returns**** | | | | |
| US$ per euro | 2.5% | 0.8% | 1.0% | 1.131 |
| Yen per US$ | -2.2% | -2.9% | -5.5% | 105.47 |
| US$ per £ | 1.6% | -1.7% | -0.4% | 1.303 |
| C$ per US$ | 0.1% | 3.3% | -0.3% | 1.342 |

**Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.**

Index returns are for illustrative purposes only and do not represent actual fund performance.

Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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