

## The Fed

On Monday, the Federal Reserve surprised the market with a plan to buy corporate bonds and corporate bond Exchange Traded Funds. The Fed announced it would launch two credit facilities backing corporate credit markets, a Primary Market Corporate Credit Facility for new bond and loan issues and a Secondary Market Corporate Credit Facility to provide liquidity for outstanding corporate bonds. The two \$10 billion facilities are focused on debt issued by investment grade U.S. companies and U.S. listed ETFs.

**Our Take:** With this unprecedented action, the Fed is now able, through a special purpose vehicle, to purchase corporate bonds. The Fed continues doing all it can to provide the liquidity needed to keep markets functioning smoothly during this time of economic disruption.

## Congress

The Senate unanimously approved a \$2 trillion rescue plan on Wednesday aimed at limiting the economic impact of Covid-19. Key elements of the plan include providing approximately \$500 billion in loans and assistance to local governments and large companies, including airlines, \$350 billion in loans and assistance to small businesses, and direct payments to lower and middle-income individuals. The House is expected to pass the bill today and President Trump has stated that he will sign it “immediately.”

**Our Take:** This is the largest economic rescue package in U.S. history. While substantial, the success of the bill is far from guaranteed. Jobless claims are rising dramatically and a one-time payment to individuals may not be enough. How well this package will bolster the economy remains to be seen, and it is possible that further stimulus will be proposed.

## Jobless Claims





Weekly initial jobless claims skyrocketed to 3.283 million last week.

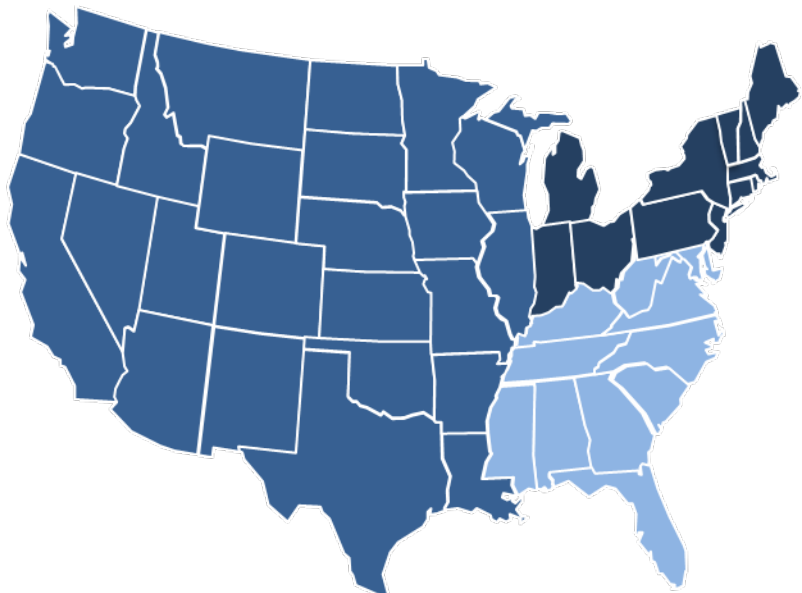
**Our Take:** It is hard to overstate how dramatic this number of claims is. Additionally, the number may be understated as unemployment offices were overwhelmed. The question on everyone’s mind is how long will the work stoppage continue. An extended period could be devastating.

## Municipals

States have started to tap into rainy day and reserve funds. It was reported that Governors in Arizona, Georgia, Maine, Maryland, Nebraska and Washington have approved measures to access rainy day funds. In addition, California Governor Gavin Newsom authorized \$1.3 billion to be moved from one of the state’s reserve funds.

**Our Take:** State budgets are beginning to feel the effects of shutdowns and lost revenue. Many states made rainy day funds a priority after the last recession. However, these funds may be quickly depleted should shutdowns and closures continue for an extended amount of time.

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