

## Covid-19

Confirmed Covid-19 cases topped 100,000 worldwide this week. 237 coronavirus infections were reported in the U.S., up from 61 at the end of last week. Capital markets reacted violently. Treasury yields hit new record lows while stock markets around the world declined dramatically.

**Our Take:** Markets loath uncertainty, as evidenced by the recent flight-to-quality along with wild directional swings in risk markets. Near-term volatility is likely to be the norm until there is some degree of clarity surrounding effects of the outbreak on world economies.

## Employment

Nonfarm payrolls rose by 273,000 jobs in February while revisions to the previous two months added an additional 85,000 jobs. The unemployment rate touched a 50-year low at 3.5%. Average hourly earnings rose 0.3%.

**Our Take:** Payrolls gains markedly outperformed economists' estimates. Worrisome reports on consumer spending early in the quarter weighed on Q1 GDP growth estimates. However, while the Covid-19 outbreak could lead to worsening conditions, the employment report indicates the economy was on solid footing as recently as February.

## The Fed





In a surprise move Tuesday, the Federal Reserve lowered its benchmark rate by 50 basis points to 1.00%-1.25%. The rate cut was approved unanimously by the committee and was the first unscheduled cut since the financial crisis of 2008. According to the accompanying statement, the fundamentals of the U.S. economy remain strong, but the spread of the coronavirus "poses evolving risks to economic activity."

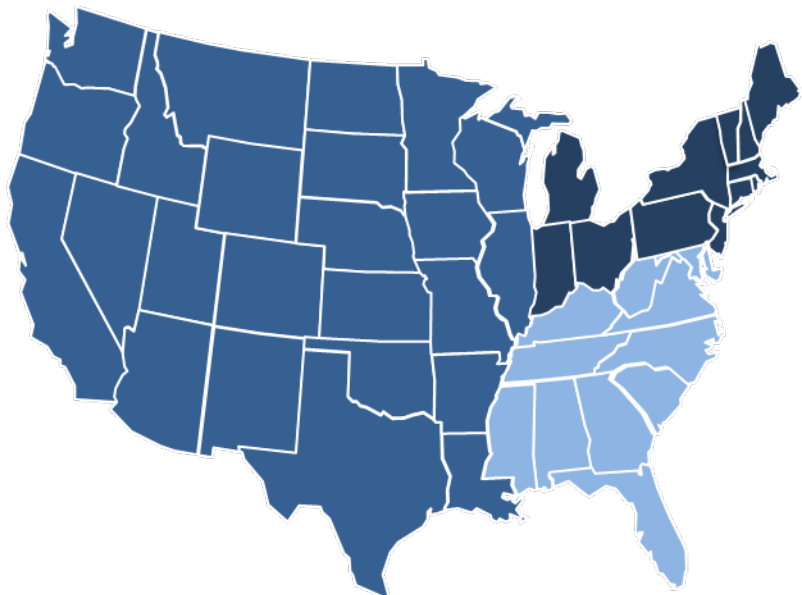
**Our Take:** The move by the Fed appears to be an effort to get ahead of the potential economic impact from the coronavirus outbreak. With rates already low, the Fed has precious little ammunition to boost confidence and stimulate growth. Unfortunately, the Fed spent some of its ammunition to little effect. Recent data continues to show the U.S. economy in relatively solid position for now, but the downside risks to global activity remain unknown. The Fed remains willing to act should economic conditions worsen.

## Municipals

Washington Governor Jay Inslee announced this week that he plans to ask the legislature for \$100 million in funding to combat coronavirus. This follows Governor Inslee's state of emergency declaration last weekend, which authorizes certain state agencies to use state resources to help affected communities. Governor Inslee stated that he also plans to ask for additional funding in this year's budget and that he hoped federal funds would be available to help pay for efforts to contain the virus.

**Our Take:** Washington is preparing for both short-term and possible long-term funding needs. Watch for other states to take action and prepare for funding to combat the coronavirus should cases increase.

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