



Capital Market Outlook

4/16/2020

MARKETS THIS WEEK

- **Worldwide social lockdowns** have taken a devastating toll on financial markets and the global economy. Some countries, including the United States, have begun drafting plans to restart commercial activity, and we see this as one of the key milestones in beginning a true economic recovery. Look for an updated national plan to be introduced by the U.S. by the end of this week.
- **The U.S. Fed** announced its new Main Street Lending Program late last week, expanding on its congressional mandate to promote maximum employment, stable prices and a functioning financial system. This program will provide up to \$2.3 trillion in financial support to qualifying small and mid-size businesses.
- **U.S. Commercial Real Estate** faces impending negative pressure as the timeline for a return to normalcy remains unknown. The significant drain of personal disposable income has made tenant rent obligations increasingly difficult to fulfill, and the expectation of decreased future foot traffic in brick and mortar stores certainly impacts profit incentives for investors. We expect moderate to significant price dislocation in this sector over the coming months.
- **Corporate earnings reporting** began this week and, as expected, much of the news is negative. Specifically, performance in the banking sector now faces growing headwinds as prolonged economic inactivity continues to increase the likelihood of significant loan defaults across all lending institutions. For now, we consider this as a medium-term issue that has thus been buffered by the relative strength of big banks prior to this economic shock. Further, we believe that a strong rebound is contingent upon the reemergence of global business activity and, therefore, greater flows of funds in our economy.

To learn more, contact one of our knowledgeable advisors today.