



## Capital Market Outlook

4/23/2020

### MARKETS THIS WEEK

- **Global prices for oil dropped to an unprecedented low**, as May futures contracts for West Texas Intermediate (WTI) oil fell into negative territory at their expiration. Highly contracted demand across the world and relatively high daily output by oil exporters led to this historic decline. Generally, petroleum producers face steep costs to shut down and restart their refineries and, here, their continued production flooded the market with obligations to take delivery of physical oil. As of this month, the cost of owning a barrel of oil has surpassed its benefit, and we expect the same situation to arise each month until the global economy is reopened and oil consumption resumes.
- **Congress agreed to terms this week** on a package extending additional support to small businesses struggling through this period of economic slowdown. The bill directs \$320 billion to replenish the SBA Paycheck Protection Program (PPP), which has already allocated \$349 billion in federal loans to incentivize business owners to maximize employment. Additional provisions of the deal include \$60 billion in funding towards the Economic Injury Disaster Loan program supporting underserved communities, \$75 billion for hospitals and \$25 billion for expanded virus testing.
- **Despite disappointing data on unemployment and global demand**, the overall market has performed better than expected over the past several weeks. It seems that investors are looking past poor company fundamentals and focusing more on what a post-pandemic world will look like. In fact, this is strongly supported by a tight correlation between the slowing global spread of COVID-19 and the strong rally in the S&P500 since its low in mid-March.
- **To date, earnings reports have unfolded much as we had expected** – industries promoting well-being during the ‘Shelter In Place’ orders have thrived, while lending institutions have seen negative pressure from the mounting probability of future loan defaults. Further performance results will continue to factor into the near-term portfolio allocation decisions of our investment committee.

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