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Capital Market Outlook

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MARKETS THIS WEEK

- **News of states beginning to reopen their economies** is expected to take center stage this week. New York governor Andrew Cuomo noted on Monday that the state will begin to loosen statewide restrictions on low-risk activities by this Friday, and certain regions will resume manufacturing, construction, agriculture, and allow for curbside pickup at non-grocery retailers. New surges of coronavirus infections are undoubtedly expected to arise, however we view the following three factors as keys to sustained economic improvement:
    - Agility of state governments in detecting virus resurgence and modulating business activity accordingly
    - Sustainability of hospital capacity to effectively treat new infections
    - Rate of development of efficacious virus treatments and vaccines
- **This Tuesday, the U.S. Federal Reserve** will begin its program to purchase exchange traded funds (ETF) containing U.S. company corporate debt in an effort to support this vulnerable market segment. To date, markets have viewed this unprecedented measure positively, as decreased corporate production has introduced broad, albeit temporary, credit risk across many historically stable companies. We anticipate this move to provide a near-term benefit as advertised, however this artificial buffer will likely present challenges in reassessing true market values of credit upon the future containment of the coronavirus pandemic.
- **The Bureau of Labor Statistics** is set to release its monthly Producer Price Index report this Wednesday, and markets will be sharply focused on the potential deflationary effects from coronavirus-induced business shutdowns. Specifically, investors are concerned that significant decreases in product pricing paired with already-observed declines in production may signal a lasting economic effect that can hinder the potential for a robust market recovery.

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