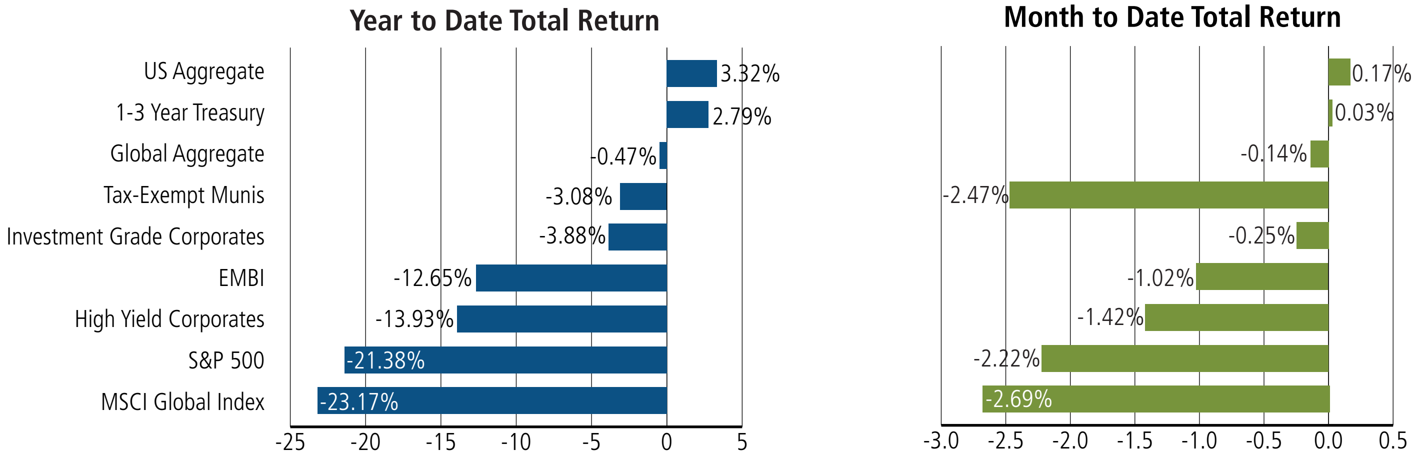
Week Ending **April 03, 2020**

The Recession Begins

Economic Overview:

Just over 6.6 million Americans filed initial claims for unemployment insurance, a proxy for layoffs, in the week ending March 28th. The flood of layoffs in the latest week came on the heels of 3.3 million new filings the week prior. In total, just shy of 10 million layoffs in such a short span marks by far the swiftest start to a recession on record. The last six downturns simply pale in comparison. Take the so-called Great Recession: the first month saw only 1.4 million layoffs. This time is also truly different in terms of the recession's cause. A public health crisis in the form of the Coronavirus, not the garden variety inventory gluts or investment overhangs, led to widespread shutdowns to stop the virus's spread, halting economic activity. To be sure, the "why" provides cold comfort to those cast out of jobs, but it does impart hope: the layoffs could prove temporary if the shutdowns succeed and fiscal "relief" helps firms and individuals bridge the gap. In the last recession that began in December 2007: many jobs never came back.

Total Returns by Asset Class



Highlights of the Week:

- **Corporates:** The investment grade corporate bond market continued to improve throughout the week with another $113B being issued. T-Mobile was able to upsize their initial $10B deal to $19B to fully pay off their bridge loan for the purchase of Sprint. The deal garnered strong investor demand, with yields over similar maturity Treasurys tightening from initial price talk by 0.375% to 0.50% across the curve.

- **Securitized Products:** Liquidity in securitized product improved this week along with other fixed income markets but investors are still requiring high premiums for credit risk. The consumer market is digesting the weak unemployment and jobs data, along with the support provided by the CARES act signed into law last week.

- **Equities:** The U.S. equity market finished Q1 2020 down -20.2% in what was the worst quarter since Q4 2008 when the market was down -22.5%. Market participants eagerly await the kick off to earnings season to provide more insight into overall corporate health and ability to sustain liquidity pressures. Energy was the only sector that was higher this week, while real estate and utilities led the market lower.