

Good morning!

The yield on the US 10-year Treasury note fell to 0.709% at the close of trading last Friday 3/06/20, the lowest yield ever on the 10-year note and the 9th consecutive trading day that has ended in a record-low yield close. Until this incredible “flight to safety” by investors began on 2/25/20, the record low yield for the 10-year Treasury note was 1.36%, set on 7/08/16. But as fears connected to the spread of the coronavirus have escalated, equity investors have become bond buyers, sending debt prices soaring and yields tumbling (source: Treasury Department).

Twice during the 2008 financial crisis, the Fed held an unscheduled emergency meeting that resulted in an interest rate cut. The 1st such meeting was on 1/22/08 as signs of a recession in the USA were increasing, and the 2nd meeting was on 10/08/08, 3 weeks after the collapse of Lehman Brothers, the largest bankruptcy in US history. Just last Tuesday (3/03/20), the Fed again cut short-term interest rates following an emergency meeting, hoping to alleviate growing fears of a recession. Both of the 2008 emergency cuts were followed by additional rate cuts at the very next regularly scheduled Fed meeting. The Fed next meets on March 17-18, i.e., next week (source: Federal Reserve).

The Federal Reserve is concerned about the coronavirus’ impact on consumer spending by Americans, notably our travel and entertainment plans in the coming months. Of equal concern is the impact of the global health threat on the US tourism business as foreign travelers contemplate staying home for the summer (source: Federal Reserve).

Notable Numbers for the Week:

1. **HALF AS MUCH** - The total return for the S&P 500 over its 11-year bull market (i.e., 3/10/09 through 3/06/20) is a gain of +16.8% per year (total return). If you missed the 20 best percentage gain days over the 11-year bull run (i.e., 20 days in total, *not* 20 days per year), the +16.8% annual gain is cut in half to an +8.5% annual gain. There were 2,768 trading days over the entire 11 years (source: BTN Research).
2. **THE PRICE OF A NEW HOME** - The median sales price of a new home was \$348,200 in January 2020, the highest nominal value recorded in history. The median sales price of a new home from May 2017 (\$345,800) is equal to \$364,505 in current-day dollars, the highest value recorded on an inflation-adjusted basis (source: Census Bureau).
3. **FREE** - The University of Southern California (USC) announced on 2/20/20 that they will waive tuition for students from families with household income of \$80,000 or less. Tuition at USC is \$57,256 per year (source: USC).
4. **LITTLE CHANGE** - 91% of House of Representative members who ran for reelection in 2018 won. All 435 House seats are up for reelection on Tuesday 11/03/20 (source: Center for Responsive Politics).

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