



INCISIVE INVESTOR

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WEEK IN REVIEW

TRUMP DECLARES NATIONAL EMERGENCY OVER CORONAVIRUS



U.S. stocks booked their biggest daily gains since October 28, 2008, after President Trump declared a national emergency to combat the coronavirus epidemic, a day after the Dow and the S&P 500 index suffered their biggest one-day plunge since the October 1987 crash.

The national emergency declaration unleashes \$50 billion of funds to help contain the COVID-19 pandemic, but financial market conditions are expected to remain volatile in the wake of this week's global market carnage.

The Dow Jones Industrial Average DJIA soared 1,985 points, or 9.4%, to settle at 26,79.16, while the S&P 500 index SPX rose 230.38 points, or 9.3%, to close at 2,711.02.

The Nasdaq Composite Index COMP gained 673.07 points, or 9.4%, to end at 7,874.88.

On Thursday, the Dow and S&P 500 suffered their worst day since the "Black Monday" crash of October 19, 1987. The Dow plunged 2,352.60 points, or 10%, to end at 21,200.62. The S&P 500 shed 9.5%, or 260.74 points, to close at 2,480.64. The Nasdaq tumbled 9.4%, or 750.25 points, to finish at 7,201.80.

The last time the S&P 500 had back-to-back 9% moves was in October 1929 and the last time the Dow had back to back 9% moves was on February 13, 1932.

For the week, the Dow was down 10.4%, the S&P 500 index booked an 8.8% decline, while the Nasdaq saw an 8.2% weekly plunge.

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US restricts travel from Europe due to coronavirus

On the day that the World Health Organization labeled the coronavirus outbreak a global pandemic, US President Donald Trump announced that beginning today foreign nationals from 26 European Union nations will be barred from entering the United States for the next 30 days because Europe was slower than the US in banning travel from China early in the outbreak. Efforts to restrain the spread of the virus forced Italy to impose a lockdown on the whole country. This includes the closures of shops and businesses except for grocery stores and pharmacies. In the US, many businesses are having employees work from home while many colleges and universities have closed their campuses and adopted virtual classrooms. Major sporting events have been disrupted as the National Basketball Association and the National Hockey League have suspended their seasons, with the NCAA announcing that its hugely popular college basketball tournament will be canceled. All of these actions are expected to be major drags on economic growth, business and consumer confidence.

Central banks continue to take action

In an emergency action, the Bank of England on Wednesday cut its base lending rate by a half-percentage point to 0.25% to help cushion

the economic blow from the COVID-19 outbreak. That same day, the British government uncovered an expansionary 2020 budget. On Thursday, the European Central Bank, led by the relatively inexperienced Christine Lagarde, disappointed markets by holding rates steady, focusing a modest package of monetary policy measures on the private sector and inferring that it is not the ECB's job to appease markets. That proved an unpopular message amid historically volatile market conditions, so unpopular that ECB Chief Economist Philip Lane walked it back on Friday, suggesting that the bank could cut rates in the future and that it will ensure wide credit spreads do not hurt policy transmission. Yields on government bonds for countries on the edge of the Eurozone, such as Italy, Greece, Spain, and Portugal rose sharply after the meeting. Late Thursday, the US Federal Reserve announced \$1.5 trillion in repo operations as a result of "highly unusual disruptions" in financing markets. The Fed also said that it will spread its monthly \$60 billion of Treasury purchases along the yield curve for the next month after restricting its purchases to bills in recent months. On Friday, Norway's Norges Bank cut its key lending rate by 0.50% to 1%

Bull market yields to bear market in record time

It took only a record-setting 19 days for the longest bull market in history to retreat from a

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market peak into a bear market. With uncertainty at extremely high levels, global monetary and fiscal stimulus efforts have so far been unable to brighten investors' moods or calm their nerves. It seems unlikely that markets will settle down until the rate of change in the number of new coronavirus infections begins to level off. As of Thursday's close, the S&P 500 Index was 26.5% below its February 19th peak. On Friday, regulators in Italy and Spain announced short-selling bans on certain stocks.

Credit markets pricing in downgrades

It has long been a market fear that the quality of US investment-grade bond indices has been eroding, with fully 50% of the index made up of BBB-rate paper, the lowest investment grade. Investors this week began pricing many BBB-rated bonds as though they had already been downgraded. If downgraded by the credit rating agencies, those bonds will be forced out of the investment-grade index and into the high-yield category.

US Congress, White House approaching deal on coronavirus package

Speaker of the US House of Representatives Nancy Pelosi said she hopes to announce an agreement with the White House as soon as today on economic aid for those affected by the coronavirus outbreak. The House could vote on a bill as early as today while a Senate vote would have to wait until Monday.

Oil price war compounds uncertainty

Russia has resisted joining a proposed production cut put forth last week by OPEC to try to steady oil prices amid a demand shock

caused by the coronavirus outbreak. This has led to an all-out price war as Saudi Arabia, among the world's largest oil producers, has increased production to record levels while slashing prices on its oil exports. Heavily indebted US shale oil producers have been swept up in the battle, sending yields on bonds issued by the companies soaring, and adding to already elevated levels of market stress.

HEADLINERS

The CME Group and Cboe Global Markets have each closed their Chicago trading floors due to the coronavirus outbreak.

The US Department of the Treasury is likely to extend the April 15th deadline to file tax returns.

Former US Vice President Joe Biden won four Democratic presidential primaries on Tuesday and leads in a fifth that remains too close to call while Vermont Senator Bernie Sanders won one. Biden is seen as the prohibitive favorite for his party's presidential nomination. Both campaigns have canceled campaign rallies because of the coronavirus outbreak.

A meeting of G7 finance ministers and central bankers scheduled for March 24th and 25th in Pittsburgh will instead occur via video conference.

The People's Bank of China announced late Friday Beijing time that it will cut reserve requirements to eligible banks by 50 to 100 basis points. That will free up around \$79 billion for lending, the central bank said.

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MAJOR STOCK MOVES

Airline stocks rose, with Delta Air Lines DAL gaining 4.7% after the carrier said it would cut capacity by 40% and cancel flights to Europe. United Airlines UAL shares rose 4.6%. American Airlines AAL gained 6.4%.

Oracle Corp. ORCL earnings reported late Thursday showed the best revenue growth in nearly two years. Shares jumped 20.4%.

Shares of Norwegian Cruise Line NCLH

gained 15% after it suspended cruises through April 11.

United Airlines UAL, Delta Airlines DAL Airline stocks recovered some ground after Trump's chief economic advisor Larry Kudlow said the White House is considering "targeted measures" to offset the negative impact on the industry from the coronavirus outbreak jumped 2%, while Delta Air Lines rose 1%.



DOUBLING YOUR MONEY

[This calculator](#) demonstrates the power of compound interest.

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