

March 30, 2020

Economic update

Economy



- The trade deficit narrowed in February, the Census Bureau stated.
- The Flash PMI Composite Output Index plummeted to 40.5 in March from 49.6 in February.
- GDP grew 2.1% in the fourth quarter, according to a third estimate from the Bureau of Economic Analysis.
- New home sales declined 4.4% in February, the Census Bureau found.

Employment



- Initial jobless claims soared by 3 million to 3,283,000 in the week ended March 21, 2020, according to the Department of Labor.

Profits



- Corporate profits increased 2.6% at a quarterly rate in the fourth quarter after decreasing 0.2% in the third quarter. Corporate profits increased 2.2% year over year in the fourth quarter, according to the Bureau of Economic Analysis.

Emotion



- The University of Michigan's index of consumer sentiment sank to 89.1 in March from 101.0 in February, in the fourth largest one-month decline in nearly 50 years.

Europe



- The Markit Flash Eurozone PMI Composite Output Index plummeted to 31.4 in March from 51.6 in February, marking the biggest collapse ever recorded.
- The Flash Germany PMI Composite Output Index plunged to 37.2 in March from 50.7 in February, setting a record pace of contraction.
- The ifo Business Climate Index for Germany dropped in March, posting the steepest fall since the country's reunification.

Rates



- The yield on the 10-year Treasury note traded in a range.
- Federal Reserve Chairman Jerome Powell said economy "may well be in a recession."
- The Bank of England voted to hold rates steady.

Risks



- Global manufacturing remains under pressure from lagged effects of tariffs, supply chain disruptions, and the China slowdown caused by the coronavirus.
- Brexit, Italian debt dynamics, and a fragile European banking system risk tipping Europe back into recession.
- Risk asset price movements continue forcing policy makers toward much more aggressive, targeted fiscal policy as a response to the demand shock introduced by pandemic fears.

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