BILL'S COMMENTS ON THE ECONOMY AND FINANCIAL MARKETS

APRIL 3, 2020

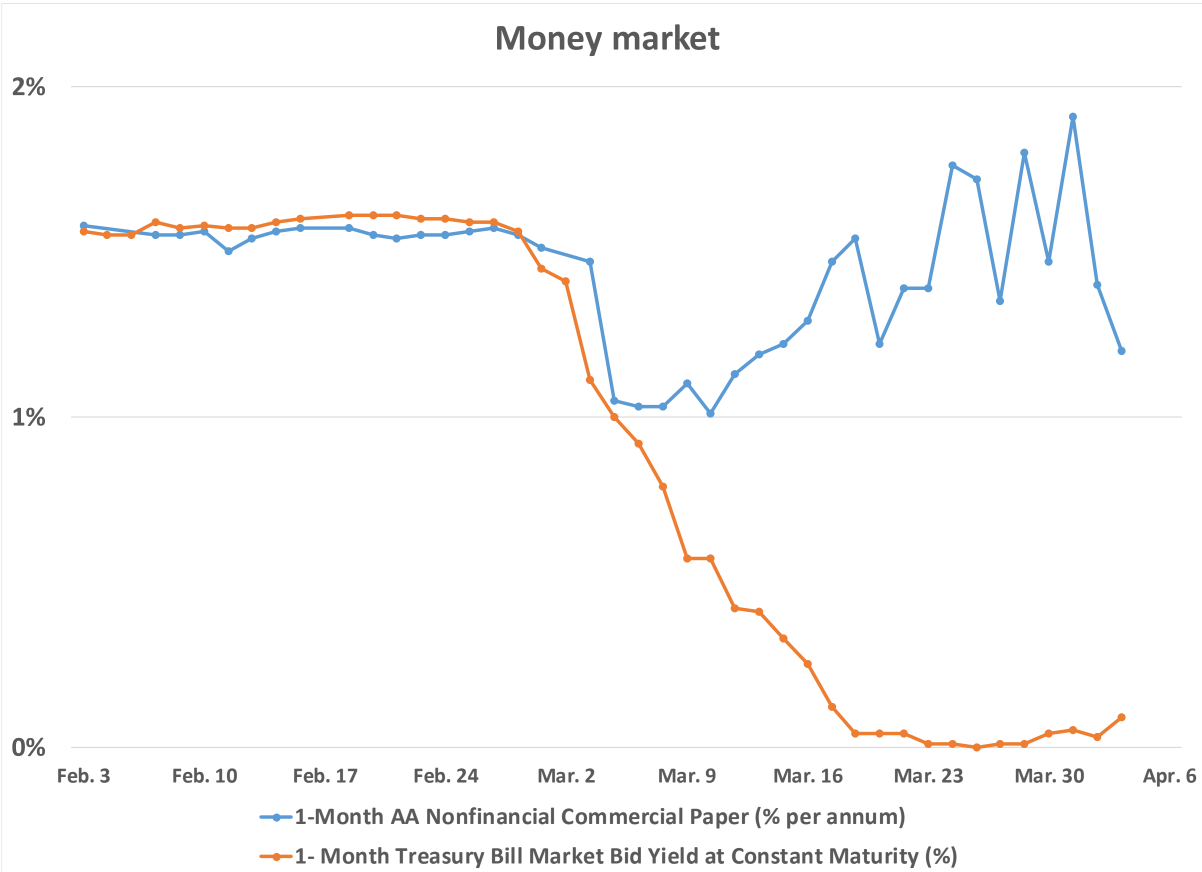
- **The national economy**
  - Today's employment report was the worst since Jan. 1975 (45 years ago)
    - Month-over-month increase in unemployment rate of 0.9 ppts, from 3.5% to 4.4%
      - Prior to 1975, worst one-month change was Dec. 1953 (67 years ago)
    - Month-over-month decrease in nonfarm payroll employment of 700,000

  - Next month's employment report could be 10 times worse than this
    - Survey date is the 12th of each month (or week containing the 12th)
    - Unemployment rate could go up to 10% or more, matching Great Recession peak
    - Month-over-month job loss could be 10 million

  - Without the CARES act and other government interventions…
    - We would be heading into another Great Depression
    - What if we called off the virus-suppression measures that are strangling the economy?
      - We really don't know the answer—we've never confronted anything like this.
      - My reading of the evidence and arguments is that it would likely delay but not eliminate the risk of another Great Depression.
      - Until we're able to manage the virus, our economy is in severe danger.

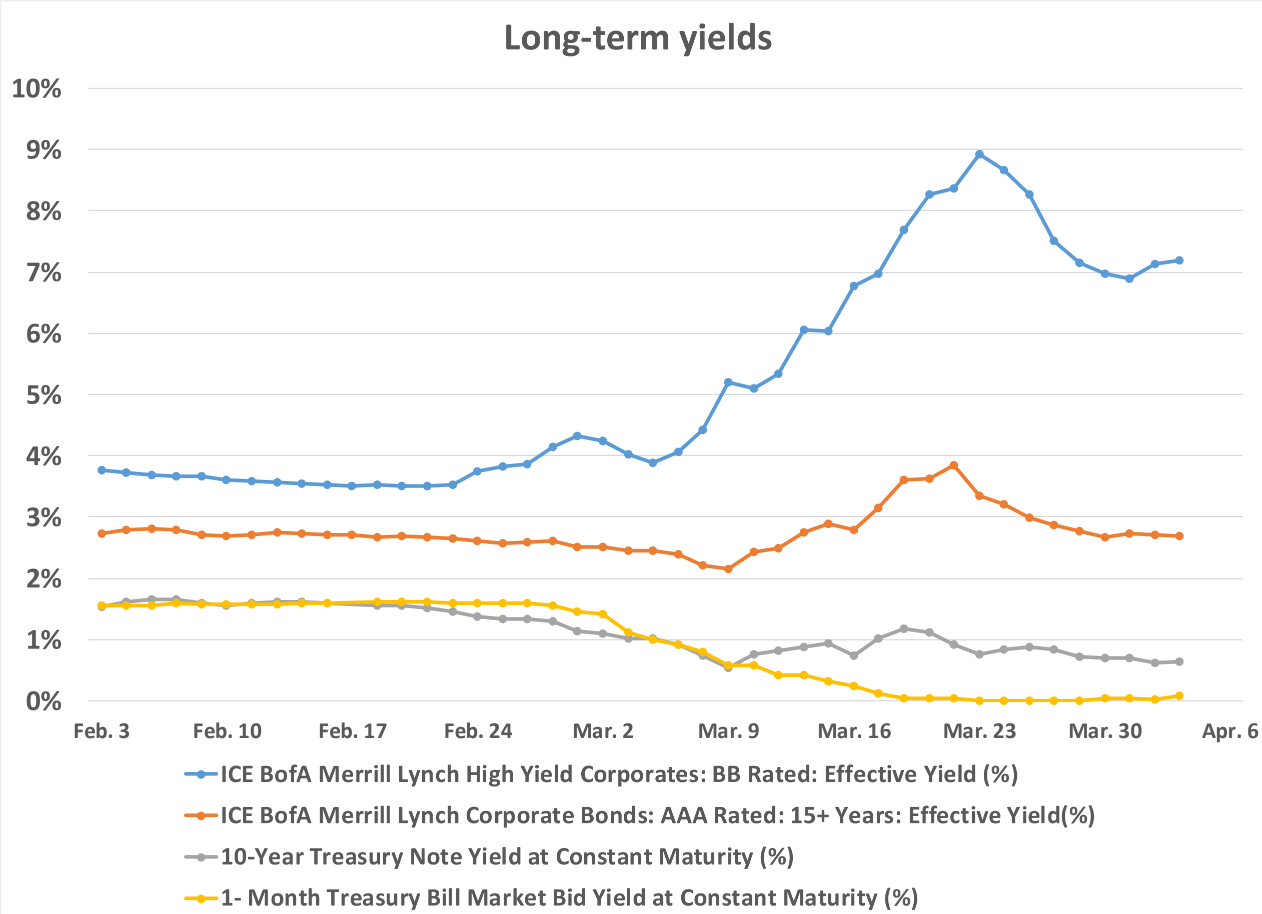
- **Eighth-District economies**
  - Relevant 8th-District data will become available later this month
    - As of February, we were still growing (for what that's worth now!)
    - Our state economies track the nation pretty closely so expect bad reports here, too
  - There is a chance that some of our states may be out of synch with the national economy (trailing behind) if the virus hits us at different times

- **Money markets**
    - Fed interventions have made a big difference, but markets are still not functioning smoothly
        - Flight-to-safety pressures remain strong, favoring Treasury market over other fixed income



Daily data through Apr. 2, 2020

- **Long-term interest-rate markets**
  - Yields are starting to make sense again, given the economic situation
    - Credit spreads (BB-Treasury, AAA-Treasury) have come back in from extreme levels in late March



Daily data through Apr. 2, 2020

Commodity markets

- Agricultural commodity prices are down much less than energy or the stock market
  - Cotton and livestock are down 20+% in last 60 days
  - Grains and soybeans down much less
  - Energy prices down much more
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	Corn	Soybeans	Wheat	Rice	Live cattle	Lean hogs	Cotton	Copper	Gold	Ethanol	Oil (WTI)	Oil (Brent)	Wholesale gasoline	Natural gas
% change, Feb. 3-Apr. 2	-12	-2	-2	5	-24	-21	-25	-11	3	-37	-49	-45	-55	-15

Daily data through Apr. 2, 2020

Stock market

- We're probably in a bear-market rally—strong rebound since the lows on Mar. 23 (S&P 500 up 12%)
- But stock-market volatility and economic-policy uncertainty remain sky high—there is no way we have returned to a normal investing period; risk remains very high
- Large caps have done better than midcaps and small caps
- Financial stocks also down much more than nonfinancial stocks

	S&P 100	S&P 500	S&P Industrials	S&P 500 Financials - GICs	S&P 400 Midcap	S&P 600 Smallcap	DJGI World
% change, Feb. 3-Apr. 2	-20	-22	-20	-33	-32	-35	-24

Daily data through Apr. 2, 2020

Summary comments

- The economy is in freefall until the government support programs kick in
- Our local economies are going to track the nation, no matter what we do
- Financial markets reached rock bottom around Mar. 23; things are much better now but still not back to normal.
- The single best real-time indicator of where we are is the stock market
- Best source of information about where policymakers and the economy are headed is St. Louis Fed President Jim Bullard