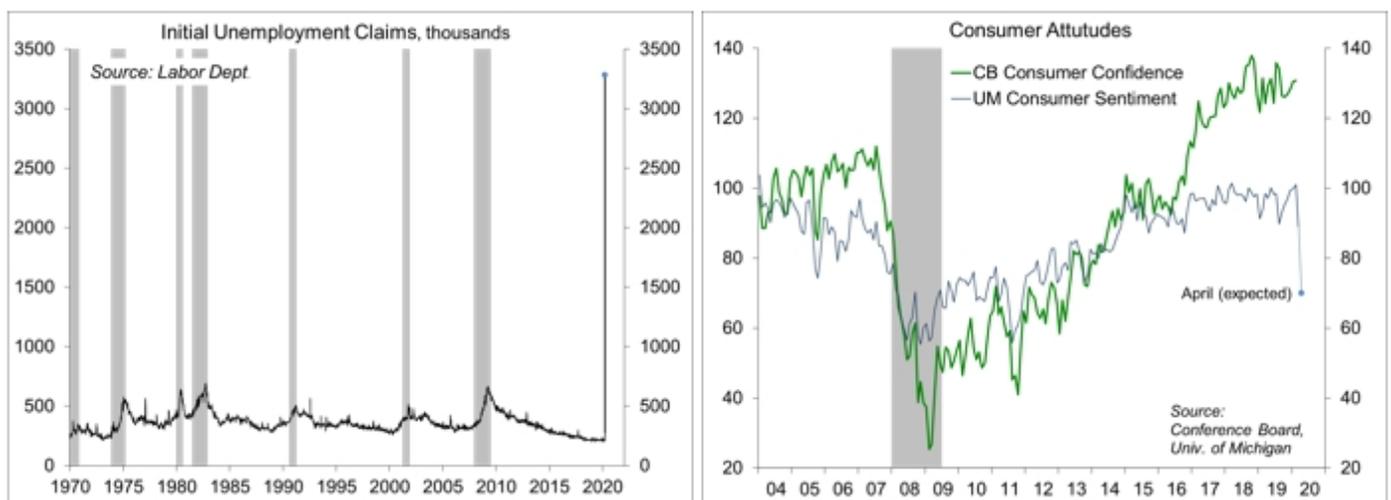


## Weekly Economic Commentary -- So It Begins

**So It Begins** – The economic impact of COVID-19 has been shockingly large and swift, but most of the information has been anecdotal. Economic data reports are by their nature backward-looking. However, the latest unemployment claim figure and the University of Michigan’s Consumer Sentiment Index point to a sharp contraction in economic activity. We should see further evidence of that in this week’s data.

Initial claims for unemployment benefits rose to 2,898,450 in the week ending March 21, which works out to 3,283,000 on a seasonally adjusted basis. The previous record was 695,000, set in 1982. “Nearly every state providing comments cited the COVID-19 virus,” according to the report, and “states continued to cite services industries broadly, particularly accommodation and food services,” while “additional industries heavily cited for the increases included the health care and social assistance, arts, entertainment and recreation, transportation and warehousing, and manufacturing industries.” Bear in mind that not all furloughed workers can file a claim (for example, the self-employed or those seeking part-time employment) and there is normally a bit of a lag between a layoff and a filed claim. The \$2.2 trillion economic aid package will relax the rules and extend benefits to a broader range of unemployed workers. Still, the unprecedented increase in jobless claims suggests that labor market conditions are deteriorating more rapidly than was thought earlier.

The March Employment Report (due April 3) will understate the degree of weakness in the job market. The payroll survey covers the pay period that included the 12<sup>th</sup> of the month. Hence, it will be biased toward the first half of the month (with a semi-monthly pay period, someone who works on March 1 would be counted). The Bureau of Labor Statistics’ data also include an adjustment for small firms, which can’t be surveyed. The model that does the adjusting works well, except at turning points. The bottom line is that one shouldn’t take a moderate decline in March payrolls as a good sign. On the other hand, a large decline in payrolls should be more worrisome, in that it almost certainly understates the decline. In any case, worse figures will be seen in the April data.



The UM Consumer Sentiment Index fell to 89.1 in March (vs. 101.0 in February). It was “the fourth largest one-month decline in nearly a half century.” However, the report noted that the seven-day average was falling sharply toward the end of the survey, and if it were to stabilize into April, “it would amount to a record two-month decline of 30.1 points.” Consumers don’t spend sentiment. The chief drivers of spending are income, wealth, and the cost/ability of borrowing. However, sentiment tends to be correlated with the fundamentals, which are deteriorating rapidly.

This week’s economic data (Consumer Confidence, ISM surveys, ADP, Challenger job-cuts, jobless claims, and the payroll figures) should add to the picture of a weakening economy. However, March figures may not provide a clear picture. There’s always uncertainty in the data, but that is likely to get worse in the near term. Still, we shouldn’t worry too much about exactly how bad the economy is doing. We know that it is very bad.

Investors should keep paying attention to the spread of the virus and what’s happening in New York, which is probably two weeks ahead of the rest of the country.

**This Week** – March economic data reports begin to arrive. By construction, many of the figures may understate the degree of economic weakness. However, the downside risks to the ISM surveys and payroll figures is substantial. We'll also get the Challenger Job-Cuts Report and another (likely monstrous) jobless claims number.

The Conference Board's advance consumer confidence survey covers the first half of the month, and conditions likely weakened sharply in the second half of the month (as in the UM consumer sentiment survey) – we can expect a downward revision to reported next month.

Nonfarm payrolls are based on the pay period that includes the 12<sup>th</sup> of the month, so will miss much of the recent weakness in the labor market. We ought to see some addition in temporary jobs for the census, but not enough to offset declines in other areas. We normally add between 600,000 and 700,000 jobs each March prior to seasonal adjustment.

The ISM surveys should reflect contractions in manufacturing activity and in service industries. (M20-3016718)

This Week:					<i>forecast</i>	last	last –1	comments
Monday	3/30	10:00	Pending Home Sales	Feb	<b>+0.5%</b>	+5.2%	-4.3%	choppy, but likely strong in February
Tuesday	3/31	9:45	Chicago Business Barometer	Mar	<b>40.0</b>	49.0	42.9	weaker
		10:00	<b>CB Consumer Confidence</b>	Mar	<b>122.0</b>	130.7	130.4	weighted toward first part of the month
Wednesday	4/01	8:15	<b>ADP Payroll Estimate, th.</b>	Mar	<b>-450</b>	+189	+209	understates the weakness
		10:00	Construction Spending	Feb	<b>NF</b>	+1.8%	+0.2%	mixed, but strong v/y
		10:00	<b>ISM Manf. Index</b>	Mar	<b>41.0</b>	50.1	50.9	weaker
Thursday	4/02	7:30	<b>Challenger Job-Cuts, th.</b>	Mar	<b>NF</b>	56.7	67.7	should be higher
		8:30	<b>Jobless Claims, th.</b>	3/28	<b>2800</b>	3001	282	very high
		8:30	Trade Balance, \$bln	Feb	<b>-40.0</b>	-45.3	-48.6	expected to narrow
			Goods Only		<b>-61.0</b>	-67.0	-69.7	expected to narrow
Friday	4/03	10:00	Factory Orders	Feb	<b>+0.3%</b>	-0.3%	+1.9%	durable goods orders reported up 1.2%
		8:30	<b>Nonfarm Payrolls, th.</b>	Mar	<b>-250</b>	+273	+273	census hiring to add
			<b>private-sector</b>		<b>-300</b>	+228	+222	understates the weakness
			Avg. Weekly Hours		<b>32.8</b>	34.4	34.3	lower
			<b>Avg. Hourly Earnings</b>		<b>+0.2%</b>	+0.3%	+0.2%	moderate
			<b>year-over-year</b>		<b>+3.0%</b>	+3.0%	+3.1%	moderate
			<b>Unemployment Rate</b>		<b>4.5%</b>	3.5%	3.6%	understates the weakness
	employment/ population		<b>60.1%</b>	61.1%	61.2%	likely lower		
	10:00	<b>ISM Non-Manf. Index</b>	Mar	<b>40.0</b>	57.3	55.5	expected to have fallen	
Next Week:								
Monday	4/06		NCAA final...					...in an alternate universe
Tuesday	4/07	10:00	JOLTS data	Feb				not relevant
Wednesday	4/08	2:00	<b>FOMC Minutes</b>	3/15				tentative
Thursday	4/09	8:30	<b>Jobless Claims, th.</b>	4/04	<b>2600</b>	<b>2800</b>	3001	still highly elevated
		8:30	Producer Price Index	Mar	<b>-0.8</b>	-0.6	+0.5	lower energy prices
			ex-f, e, trade services		<b>+0.1</b>	-0.1	+0.4	mild core inflation
Friday	4/10	10:00	UM Consumer Sentiment	mid-Apr	<b>67.0</b>	89.1	101.0	trending down into April
			<b>Good Friday Holiday</b>					markets closed
		8:30	<b>Consumer Price Index</b>	Mar	<b>-0.3</b>	+0.1	+0.1	lower gasoline prices
			<b>year-over-year</b>		<b>+1.7</b>	+2.3	+2.5	slowing
			<b>ex-food &amp; energy</b>		<b>+0.1</b>	+0.2	+0.2	mild core inflation
	<b>year-over-year</b>		<b>+2.3</b>	+2.4	+2.3	moderate		
	8:30	<b>Real Hourly Earnings</b>	Mar	<b>+0.5</b>	+0.5	+0.3	likely strong	
	<b>year-over-year</b>		<b>+1.2</b>	+0.6	+0.5	picking up		

### Coming Events and Data Releases

April 15	Retail Sales (March)	April 29	Real GDP (1Q20, advance estimate)
	Industrial Production (March)		FOMC Policy Decision
	Fed Beige Book	May 8	Employment Report (April)
April 16	Building Permits, Housing Starts (March)	May 25	Memorial Day Holiday (markets closed)
April 24	Durable Goods Orders (March)	June 10	FOMC Policy Decision

## IMPORTANT INVESTOR DISCLOSURES

This material is being provided for informational purposes only. Expressions of opinion are provided as of the date above and subject to change. Any information should not be deemed a recommendation to buy, hold or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. This report is not a complete description of the securities, markets, or developments referred to in this material and does not include all available data necessary for making an investment decision. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate, or commercially exploit the information contained in this report, in printed, electronic, or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose. This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret, or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec. 501 et seq, provides for civil and criminal penalties for copyright infringement. No copyright claimed in incorporated U.S. government works.

### Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange's Globex electronic trading platform. Dow

Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

**Europe: DAX** (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

**Asia: Nikkei** is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

### International Disclosures

*For clients in the United Kingdom:*

**For clients of Raymond James Financial International Limited (RJFI):** This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

**For clients of Raymond James Investment Services, Ltd.:** This document is for the use of professional investment advisers and managers and is not intended for use by clients.

*For clients in France:*

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

**For clients of Raymond James Euro Equities:** Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

*For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:*

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

*For Canadian clients:*

This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

### Broker Dealer Disclosures

Securities are: NOT Deposits • NOT Insured by FDIC or any other government agency • NOT GUARANTEED by the bank • Subject to risk and may lose value

**Raymond James & Associates, Inc.**, member New York Stock Exchange/SIPC. **Raymond James Financial Services, Inc.**, member FINRA/SIPC. Raymond James® is a registered trademark of Raymond James Financial, Inc.