

BlackGen Capital Markets Briefing

This guide, published by BlackGen Capital, is meant to educate students on the current state of the economy & financial market.

Key Points

- **COVID-19:** The public health effects of the coronavirus pandemic has led to the economic contraction of global industries.
- **Monetary + Fiscal Policy:** To ease the impact of COVID-19, the government has pursued a combination of monetary and fiscal policy solutions.
- **Economic Outlook:** Goldman Sachs estimates U.S. GDP will contract 34% and unemployment will reach levels higher than the great recession.

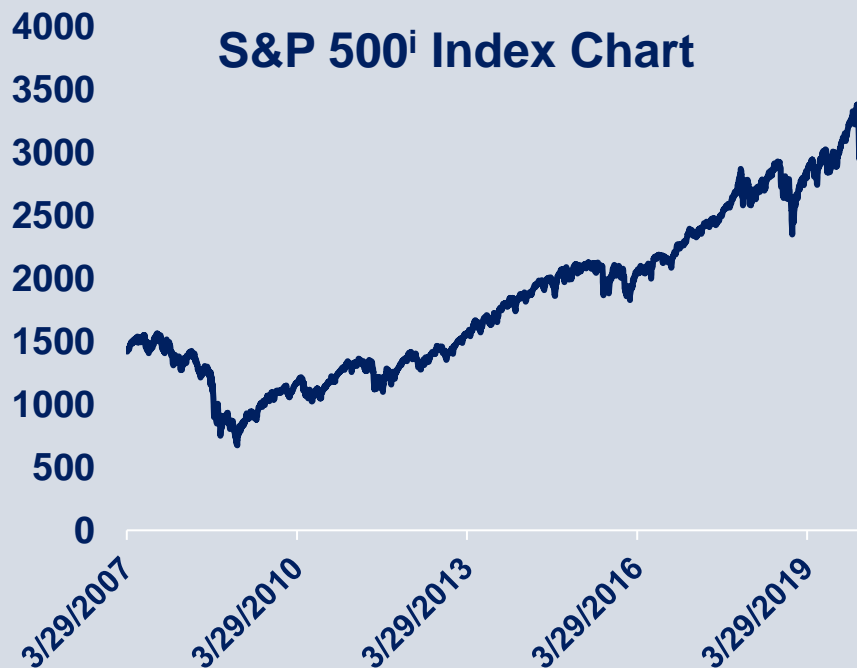


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COVID-19

Undoubtedly, COVID-19 has led to a global economic downturn. The current sharp contraction is due to weakened demand, sizable increases in unemployment, and public health regulations targeted at slowing the spread of the virus. The effects of the pandemic have impacted several industries, the hardest hit being food & hospitality, tourism/travel, and transportation.

S&P 500ⁱ Index Chart



Since January 2020, the S&P 500 has precipitously declined. This is largely due to the economic implications of COVID-19. Many companies are experiencing lower demand for their products/services and are burning through cash in order to cover basic operations. Some of these corporations are even on the brink of bankruptcy.

This uncertainty has led many investors to sell their equities and buy other traditionally safer assets such as treasuries, bonds, etc. in order to protect their buying power.

i. The S&P 500 is a stock market index that measures the stock performance of the 500 largest U.S. companies from a variety of industries.

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Monetary + Fiscal Policy

In an attempt to ease the economic impact of Coronavirus, the government has pursued a combination of monetary and fiscal policy solutions.

July 31, 2019

First rate cut since Dec '08

2%-2.25%

October 30, 2019

Fed cuts rate to 1.5%-1.75%

March 15, 2020

2nd rate cut due

to COVID-19

0%-0.25%

Fed cuts rate to 1.75%-2%
September 18, 2019

*In response to COVID-19,
Fed cuts rate to 1%-1.25%*
March 3, 2020

- **Interest Rate Cuts:** The Federal Reserve cut interest rates twice in March as an initial attempt to stimulate the economy and increase access to credit.
- **Quantitative Easing:** The Federal Reserve also announced unlimited quantitative easing in March. In other words, the Fed will purchase bonds and mortgage-backed securities. The purpose of this is to keep longer-term interest rates low and further allow consumers and businesses to make affordable large-scale purchases.
- **Stimulus Bill:** This \$2 Trillion package includes tax benefits for businesses and individuals, unemployment relief, bailouts to major corporations, direct payments to citizens, and much more.

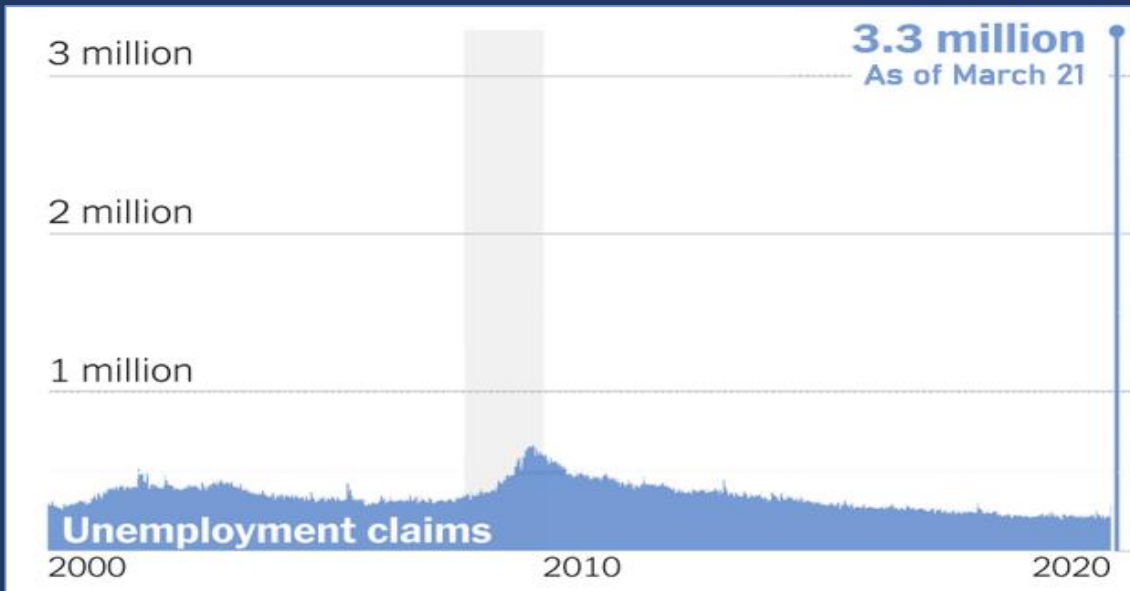
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2020 U.S. Economic Outlook

Economic experts and financial analysts predict we will enter a recession as a result of COVID-19.

There is still a lot of uncertainty regarding the economic outlook, however, projections from Goldman Sachs estimate the U.S. Gross Domestic Product to contract by 34%. This is largely due to containment guidelines that brought several industries and companies to a halt leading to a slowdown in economic activity.

As the pandemic continues to unfold, companies are experiencing greater uncertainty. With this situation worsening, more restaurants, family practices, and other businesses furlough workers. As a result, unemployment is expected to reach 15%, which is higher than the financial crisis of 2008.



Weekly unemployment claims measures the number of citizens that file for unemployment every week. Over 3.28 Million people claimed unemployment between March 15th – March 21st. This is the single largest increase in unemployment claims in American history.

Source: *The NY Times*