

All Eyes on the Medical Data
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Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

The impacts of social distancing policies and the near shutdown of our economy are starting to come out in the economic reports—now with 10 million claims for unemployment insurance over the prior two weeks. These unemployment claims will continue to pile up. But these employment reports, which usually are the most important data coming out, pale in comparison to the medical data—as that will give a sense for how effective our policies are from stopping the virus spread and inform when we can get our economy re-started.

We need more evidence that social distancing is flattening the curve of the virus spread and any evidence of therapeutic drugs that can help create better outcomes for patients that become sick.

Professor Siegel maintains both the US Federal Reserve (Fed) and the fiscal policy response has done its job well—the Fed has thrown its crisis response into overdrive to help calm the financial markets and provide basic functioning of markets. The government stepped up with big relief packages to both individuals and companies—to keep people on payrolls for income support and to help extend unemployment benefits for others. We might see more packages down the road, but we’ve had a very good start.

As of Friday, SOFR, the main financing rate for banks in the post London InterBank Offered Rate (LIBOR) world, was down to 1 basis point, while the Fed funds rate is 5 basis points. This is a good functioning of the lending markets. The high yield market, while spreads have blown out higher, are still trading and you can get some deals done in this environment— even if the cost of borrowing is higher than normal.

Volatility levels have subsided a bit, with intra-day market moves coming down last week. We will all be watching the medical data closely to see signs that we can slowly re-start the economy and look forward to brighter days in the markets ahead.

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