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Economic & Market Summary
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The global spread of COVID-19 has claimed lives, strained healthcare systems, shut down industries, and disrupted daily routines for millions of people. With governments around the world severely restricting social interaction, a global recession seems imminent. Fortunately, the US economy was in good shape before this crisis. Qualified workers were in short supply which suggests that companies should be quick to hire them back once the outbreak subsides. Our general belief is that controlling the virus and restarting the economy will be a multi-month process. The abrupt halt in activity makes this downturn unique. The recovery will not be a function of the business cycle turning over but of an exogenous pressure abating. It seems reasonable that economic growth will contract sharply in Q2 and possibly Q3. Growth could turn positive in Q4, but that depends on the coronavirus being controlled *and* consumers feeling confident enough to normalize spending. The healthcare data seem to get worse by the day and weak economic data will soon follow. However, through medical technology, social distancing, or some natural means, the COVID-19 pandemic will eventually end.

While Washington's initial reaction to the virus was slow, the response to the potential economic fallout has been remarkably swift. An unprecedented $2 trillion aid package was negotiated, passed, and signed into law within a few days. It includes loans, loan guarantees, and grants to businesses and local governments; direct payments to individuals; expanded unemployment insurance; and new guidelines for banks that allow them to lend aggressively. Also, in a few weeks, the Federal Reserve slashed its target interest rate to nearly zero; committed to essentially limitless bond purchases; reduced banks' reserve requirements to zero; eased regulatory examinations; initiated direct support of the money market, commercial paper, and corporate bond markets; and facilitated over a trillion dollars in loans to businesses and municipalities. From an economic perspective, we believe fiscal and monetary policy makers have two primary jobs in this crisis. The first is to provide monetary support to the most severely impacted individuals and businesses. The second is to keep the cost of borrowing low and ensure liquidity within the financial system. So far, Washington is fulfilling both of these roles. But aid must come quickly and with few bureaucratic hurdles. More may yet be needed.

The financial markets have been upended in a matter of weeks. The bull market in US equities ended almost exactly 11 years after it began on March 9, 2009. US government bond yields have fallen to record lows amidst a "flight to safety." In the face of declining stock prices and negative headlines, there's a temptation to overreact. While the near-term outlook is highly uncertain, panic selling has provided attractive entry points on several high-quality companies. It is also creating opportunities to investigate new companies. We are ramping up our fundamental, bottom-up research process in response. Seeing through to the other side of a crisis is extremely challenging and requires strong emotional discipline. We don't pretend to know when or at what level "the market" will bottom. However, experience has taught us repeatedly that success comes from maintaining a long-term perspective and a willingness to seize opportunities, especially during periods of maximum pessimism.

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To request our SEC Form ADV Part II, please contact Michael L. Wise, Chief Compliance Officer, at the address above.