Updated Economic Forecasts as of March 9, 2020

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Fed Funds Futures Market

March 2020 Rate Cut – 50 bps to 75 bps cut priced into Fed Fund Futures as of this morning.

After an unexpected rate cut of 50 bps earlier this month, the Federal Reserve is expected to make more cuts at their regular meeting on March 18th. With additional virus concerns and the breakup of the OPEC+ alliance, Fed Funds Futures contracts are currently indicating two-to-three 25 bps cuts, which would lower the Fed Funds Target Rate (Upper Bound) to 75 bps or 50 bps, respectively.

The 10-year Treasury rate has also been highly reactive over the weekend and into early trading Monday morning. After opening at 91 bps on Friday, the 10-year dropped to an all-time low of 65 bps before recovering to close at 76 bps. Early Monday trading saw the 10-year open at 48 bps, drop to 31 bps and then recover to its current level of 53 bps.

Goldman Sachs Commentary

"The U.S. economy could slip into a recession if the coronavirus contagion lasts for an extended period of time," said Goldman Sachs strategist David Kostin in a new note to clients. Should a U.S. recession transpire, Kostin sees S&P 500 earnings diving 13% and the index plunging about 18% from current levels. Kostin is holding out hope the U.S. averts a recession, however. In a baseline scenario, Kostin thinks S&P earnings will be flat in 2020 and the index will rally 15% or so to 3,400."

J.P. Morgan Commentary

"Our base case scenario anticipates that the hit to both regional and global [GDP] growth will be transitory and that economic data as well as earnings will recover in 2H20. Although some near-term caution is warranted, this is not a time to turn outright negative on risk assets; we expect volatile data and news flow to persist over the short term before stabilizing later in the second quarter."

Cantor Fitzgerald Commentary

"Novel coronavirus is an almost perfect demand shock in an already highly fragile growth environment. That fragility should not be underestimated. Markets ignored it. Other signs of fragility are ubiquitous. By way of recent example, Japan's Q4 GDP print was -1.5% or so (today). Europe PMIs were long in contraction across the board pre-Corona. India and China have ongoing banking crises. Even US PMIs were flirting with contraction pre-Corona and manufacturing ISM was already there. This brings us back to where we started: rates have been telling us this all along. As we've been writing, U.S. credit is the next shoe to drop. Fragile."

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Global Interest Rates

10 Year Government Rates	
Brazil	7.02%
Mexico	6.64%
India	6.05%
Greece	1.83%
Italy	1.34%
South Korea	1.26%
Singapore	0.98%
New Zealand	0.82%
Hong Kong	0.68%
Australia	0.61%
U.S.	**0.53%**
Canada	0.50%
Portugal	0.33%
Spain	0.23%
U.K.	0.12%
Japan	-0.18%
France	-0.42%
Netherlands	-0.68%
Germany	-0.87%
Switzerland	-1.06%