Aldrich WEALTH LP

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Historically, recessions tend to take several months to develop and in many cases we don't even know they have officially arrived (two quarters negative GDP growth) until months later. There is often disagreement between economists, investment professionals and investors on, if and when, they will occur. However, this isn't the case today. Virtually every economist, politician and market participant are expecting a recession starting this quarter.

Unlike prior recessions, we are witnessing unprecedented efforts by governments around the globe to mitigate the economic impact and reduce the duration of the recession that is looming.

- On March 15, the Federal Reserve announced a comprehensive easing package including taking the borrowing rate to 0%, large-scale purchases of U.S. Treasuries and mortgage-backed securities, lower rates on currency swaps, and regulatory relief for banks. These efforts all but guarantee that financial institutions will have almost unlimited access to funds in order to keep liquidity flowing in the system.
- On March 18, the European Central Bank (ECB) took similar actions, agreeing to buy $820 billion of government and private sector bonds and commercial paper by year end. The ECB said its purchases, dubbed the Pandemic Emergency Purchase Programme, would be aimed at keeping borrowing costs down to support the outlook for Europe's economy and make sure the bank's low benchmark rates keep getting through to businesses and consumers.
- On March 20, Australia's banks announced that loan repayments for small businesses affected by the coronavirus outbreak would be deferred for six months. The Federal Reserve also expanded their asset purchase program to include municipal bonds.

In addition to aggressive central bank monetary actions around the globe, we are witnessing rapid response on the fiscal front as well.

- Last week, Congress acted rapidly to pass the $8.3 billion emergency spending bill for more medical supplies, funding for the nation's health agencies and other measures.
- On March 17, the European Union pledged hundreds of billions of euros to help economies, companies and workers hit by the coronavirus, applying tools developed during the euro crisis and casting aside strict prohibitions on state subsidies.
- On March 18, President Trump signed an economic relief bill ensuring free testing and paid leave for certain workers hours after the Senate passed the measure that day.
- The Senate released a proposal for a third coronavirus relief package on March 19. The $1.0 trillion plus proposal includes cash payments to Americans and $108 billion to struggling industries, including airlines, and small businesses with fewer than 500 employees. The plan is currently in negotiation between the House and Senate. However, some form of agreement is expected to be approved fairly soon as Congress wants to deliver relief as quickly as possible.
- The IRS announced on March 20 that the Federal tax filing and payment deadline will be extended from April 15 to July 15. Various states are still considering this type of filing postponement.

Although these efforts will not solve the coronavirus pandemic, they are all designed to reduce the social and financial impact that "social distancing" is inflicting on our economy and citizens.

What is unusual is that these actions are occurring prior to a recession rather than during or after a recession, as is more typical. This should help to further dampen the negative economic effects and potential structural damage to our economy. Policy makers have communicated that additional stimulus measures will be introduced as there is clearly a concerted effort to limit the economic and human consequences related to this pandemic. Whether all of this stimulus will be enough to blunt the effect of social distancing, is to be determined at a later date.

Please don't hesitate to contact us if you have any questions or just want to talk.

Sincerely,

Aldrich Wealth Investment Committee, along with our advisors and consultants

Scott Barchus, Nicole Rice, Casey McKillip, Abbey Rollins, Carl Pinkard, Heather Wonderly, Darin Richards, Alex Kilian, Stephen Nelson, Joanne Humphrey, Neil Plein, Kathy Peterson, Kayla Cook, Sandi Gordon