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The S&P 500 had a return of negative 19.6% during the first quarter and the yield on ten-year U.S. Treasury bonds fell further to 0.677% from 1.156% at the end of February.

The markets have reacted to the forced shutdown of many businesses under government order as a strategy to reduce the spread of the Covid-19 virus. Models currently indicate that the peak in hospital beds needed as well as the number of daily deaths will occur in mid-April. Trump has already ordered separation guidelines to last through the end of April and it is possible, if not likely, that such guidelines will be lengthened further.

The short-term effects on the economy will be severe and some economist estimate that second quarter GDP could contract at an annual rate of as much as 30% and unemployment could spike into double digits as well. The U.S. Federal government has passed a huge \$2 trillion spending legislation to support the unemployed, small and large businesses and state budgets. Furthermore, the Federal Reserve has taken measures to stabilize the lending markets including those overseas. The Fed has supplied dollar liquidity to foreign central banks including the ECB through currency swaps.

Despite these efforts, it is unknown what the lasting effects will be since nothing of this sort has occurred before. As we mentioned in our last quarterly report, we suspect that a year ahead we will recognize this crisis as having been a buying opportunity but that the timing of the bottom is unknowable. We continue to hold that opinion and recommend the gradual purchase of equities. The U.S. Treasury notes that we purchased as a hedge now look less attractive.

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