

To All of our Valued Beacon Clients:

The news and information related to the COVID-19 fallout is coming fast and furious and as more people are staying at home, watching the news can be quite unsettling. We thought in this piece, we would lay out the actions that have come from both the monetary (Federal Reserve) and the fiscal (Government) policy to help the US economy through this slowdown. Both are designed to blunt the ongoing economic decline and restore order to the financial markets.

Monetary Policy:

- Two emergency interest rate cuts – The FOMC cut 50 basis points (0.5%) on March 3 and 100 basis points (1.0%) on March 15 to get down to zero interest rate policy.
- Commercial Paper Funding Facility (CPFF) – very similar to the 2008 action with the NY Fed purchasing eligible 90-day Commercial Paper, which is used by companies to fund short-term expenditures.
- Primary Dealers Credit Facility (PDCF) – allows primary dealers to fund a range of assets (investment grade-rated debt securities, municipal bonds and some mortgage-backed securities/asset-backed securities (MBS/ABS)) at the NY Fed and includes an expanded collateral pool.
- Money Market Mutual Fund Liquidity (MMLF) – established under the Fed’s emergency authority. This is a backstop to the money market sector, and as of today includes taxable and tax-exempt (municipal) money market funds. Money market funds are among the safest financial instruments and have historically held their value.
- Fed is buying \$700 billion outright in U.S. Treasury and mortgage-backed securities. Fed committed to buying at least \$500 billion in US Treasuries and \$200 billion in MBS over the next few months. Part of the Fed’s goal is to lower mortgage rates and spur home financing and refinancing.
- Ongoing repurchase operations – could potentially be trillions of dollars – in these operations, the Federal Reserve receives agency, mortgage and U.S. Treasury securities from primary dealers and in return provide very short-term loans. The Fed is acting as a buyer for those that wish to sell.

Fiscal Policy:

- House approved \$8.3 billion bill to ramp up vaccine research and give funding to state health officials for prevention programs and more.
 - Senate approved \$104 billion bill for sick leave and family leave. This bill also included provisions for free coronavirus testing, additional funding for Medicaid, and provisions for programs like food stamps.
 - Treasury Department has extended the filing and payment of taxes from April 15th to July 15th.
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- A proposal still being negotiated to provide in excess of \$1 trillion dollars of aid which may include direct payments to families, assistance for industries, small business lending facilities, etc.

We expect a great deal more news on stimulus measures in an attempt to lessen the blow of this economic slowdown for individuals, families, and businesses. We also expect, with increased awareness and testing, that the confirmed cases of COVID-19 in the US will continue to rise. As always, we will continue to guide you through this stressful time and communicate frequently throughout. If you have questions, do not hesitate to contact a member of your team.

Beacon Trust Investment Team

 **Beacon Trust** 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com

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