

MARKET EXPECTATIONS SURVEY

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The U.S. economy has entered recession as the COVID-19 outbreak and public health efforts to combat it have led to a sharp contraction in economic activity. Restrictions on movement throughout the country have led consumers to pull back on their spending, with restaurants, hotels, movie theaters, entertainment venues, sports leagues, and many retail establishments closed. The airlines are rapidly cutting capacity, and U.S. auto manufacturers have stopped production. Initial claims for unemployment insurance jumped by 80,000 in the week ending March 14, to 281,000, the highest level since September 2017, in the aftermath of Hurricanes Harvey and Irma. And according to preliminary numbers from various states, claims are set to surge much higher for the week ending March 21, to be released on Thursday, March 26.

The Federal Reserve has taken multiple emergency steps to make sure that credit continues to flow as COVID-19 pushes the economy into a deep recession. The Fed is “pulling out all the stops” to prevent a health crisis from becoming a financial illiquidity crisis. In addition to cutting its funds rate target to near zero, the central bank took steps last week to support the Treasury and mortgage back securities markets with purchases of securities of all maturities; to support the commercial paper market, which is a key source of short-term funding for big companies; to support the money market industry, which is vital in keeping short-term credit flowing; to support the municipal bond market, which provides funding for state and local governments and other governmental entities; and to encourage the banking industry to lend to large and small businesses to cover near term funding for continued operations. On March 23, the Fed announced additional steps, including increasing its purchases of U.S. Treasury and MBS securities in “amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions”. The Fed will purchase \$625 billion this week alone, more than the entire QE2 program. The Fed also will directly purchase investment grade corporate bonds and the Fed reestablished the Term Asset-Backed Securities Loan Facility, or TALF, a financial crisis-era facility that allows issuers of highly-rated asset-backed securities to borrow against them from the Fed.

Congress and the Trump administration continue to work on a fiscal stimulus package to support the U.S. economy as it deals with COVID-19. This would eventually limit the depth and duration of the current recession and set the stage for a “U-shaped” economic and jobs recovery in the latter half of 2020. Any package is expected to total close to \$2 trillion and is likely to include an expansion of unemployment insurance benefits; direct payments to households; aid to state and local governments; and aid to businesses hurt by the outbreak, including aid to small businesses and affected industries.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<p>Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 4/29/20)</p> <p>Range: 0.0 to 0.25 percent Median: 0.10 percent</p>	<p>1.10%</p>	<p>In an emergency meeting on Sunday, March 15, the Federal Open Market Committee cut the Fed funds rate to a target range of 0.0 to 0.25 percent, from a range of 1.50 to 1.75 percent at the beginning of March. This brings the funds rate back to the near-zero where it was from late 2008 to late 2015, during the Great Recession and the first six years of the subsequent expansion. The funds rate will remain near zero in 2021, if not well beyond.</p>

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Feb New Home Sales (3/24, Tuesday) Range: 0.730 to 0.762 million Median: 0.754 million	0.764M (Jan)	<u>Down</u> to 0.735 million.
Feb Durable Goods Orders (3/25, Wednesday) Range: -4.1 to 1.2 percent Median: 1.0 percent	-0.2% (Jan)	<u>Down</u> 1 percent.
Q4 GDP Third Report (3/26, Thursday) Range: 2.0 to 2.2 percent Median: 2.1 percent	2.1% (Q4 2nd report)	2.1 percent.
Q4 Chain Price Index Third Report (3/26, Thursday) Range: 1.3 to 1.3 percent Median: 1.3 percent	1.3% (Q4 2nd report)	1.3 percent.
Feb Personal Income (3/27, Friday) Range: 0.2 to 0.6 percent Median: 0.4 percent	0.6% (Jan)	<u>Up</u> 0.4 percent.
Feb Personal Consumption Expenditure (3/27, Friday) Range: 0.1 to 0.4 percent Median: 0.3 percent	0.2% (Jan)	<u>Up</u> 0.3 percent. The PCE inflation rate was up 0.1 percent and the core was up 0.2 percent.
Mar U. Mich. Consumer Sentiment (final) (3/27, Friday) Range: 80.0 to 95.7 Median: 90.0	95.9 (Feb)	<u>Down</u> to 88 as virus fears spread.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Mar/Apr 2020

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
9	10	11 CONSUMER PRICE INDEX <u>Total</u> <u>Core</u> Dec 0.2% 0.1% Jan 0.1 0.2 Feb 0.1 0.2	12 PRODUCER PRICE INDEX <u>Total</u> <u>Core</u> Dec 0.2% 0.2% Jan 0.5 0.4 Feb -0.6 -0.1	13 Feb Import Price Index Mar U Mich Consumer Sentiment (prelim)
16	17 RETAIL SALES <u>Total</u> <u>Ex-Autos</u> Dec 0.0% 0.5% Jan 0.6 0.6 Feb -0.5 -0.4 IND PROD CAP UTIL Dec -0.4% 77.1% Jan -0.5 76.6 Feb 0.6 77.0 MFG and TRADE <u>Inv</u> <u>Sales</u> Nov -0.2% 0.5% Dec 0.0 0.1 Jan -0.1 0.6	18 HOUSING(000) <u>Starts</u> <u>Permits</u> Dec 1,601 1,420 Jan 1,624 1,550 Feb 1,599 1,464	19 LEADING INDICATORS Dec -0.3% Jan 0.7 Feb 0.1 Unemployment Claims (000) <u>Dec</u> <u>Jan</u> <u>Feb</u> <u>Mar</u> 252 214 203 211 235 205 206 281 224 223 211 223 217 219 217	20 EXISTING HOME SALES(000) Dec 5,530 Jan 5,420 Feb 5,770
23	24 NEW HOME SALES(000) Dec 708 Jan 764 Feb	25 ADV DURABLE GOODS <u>Total</u> <u>Ex-Transp</u> Dec 2.9% 0.1% Jan -0.2 0.9 Feb	26 GROSS DOMESTIC PRODUCT 4th Qtr (3rd estimate) <u>Real GDP</u> <u>Price Index</u> 1Q'19 3.1% 1.1% 2Q'19 2.0 2.4 3Q'19 2.1 1.8 4Q'19(1 st) 2.1 1.4 4Q'19(2 nd) 2.1 1.3 4Q'19(3 rd)	27 PERSONAL <u>Income</u> <u>Spending</u> Dec 0.1% 0.4% Jan 0.6 0.2 Feb Mar U Mich Consumer Sentiment (final)
30	31 CASE-SHILLER HPI 20-City Composite(SA) <u>M/M</u> <u>Y/Y</u> Nov 0.5% 2.5% Dec 0.4 2.9 Jan CB CONSUMER CONFIDENCE <u>Total</u> <u>Current</u> <u>Expect</u> Jan 130.4 173.9 101.4 Feb 130.7 165.1 107.8 Mar	Apr 1 ISM MFG INDEX Jan 50.9% Feb 50.1 Mar CONSTRUCTION SPENDING Dec 0.2% Jan 1.8 Feb Mar ADP Employment Survey	2 TRADE BALANCE (\$B) Dec -\$48.6 Jan -\$45.3 Feb MANUFACTURERS' <u>Ship</u> <u>Inv</u> <u>Orders</u> Dec 0.5% 0.4% 1.9% Jan -0.5 -0.1 -0.5 Feb	3 EMPLOYMENT REPORT <u>U.Rate</u> <u>Jobs(000)</u> Jan 3.6% +273 Feb 3.5 +273 Mar ISM NON-MFG INDEX Jan 55.5 Feb 57.3 Mar
	Mar Chicago PMI			