

The COVID-19 pandemic is a public health crisis, but it quickly turned into an economic and financial crisis as the method to slow the spread of the deadly virus has been to shutter all but the most essential aspects of the economy. We see the effect on major corporations like airlines and restaurant chains, but the real damage is done in the more than 30 million small businesses in the U.S. (SBA data). Chair Powell wasted no time in responding to the crisis in historic fashion. To start, in the span of just 12 days the Fed made 2 emergency rate cuts of .50% each to lower the Fed Funds rate to 0%. Days later Powell announced a \$700 billion bond buying package to provide liquidity to markets (QE IV). Berkshire Hathaway set record share buybacks in 2019 as they again had difficulty finding companies with compelling valuations to acquire. In just Q4 they purchased \$2.2 billion of their stock, bringing the total to \$5 billion for the year.

- The Main Street Business Lending Program is designed to help previously healthy small and mid-size firms bridge the liquidity gap created by forced closures of businesses. The Fed provides funding and is administered by the SBA.
- A new Term Asset-Backed Securities Loan Facility, similar to what Bernanke created in 2008, has been established to purchase debt that is shunned during a crisis: car loans, education loans and credit card debt.
- The Fed is also supporting the \$6 trillion dollar investment-grade corporate debt market by providing liquidity through direct purchases of corporate bonds and bond ETFs in an attempt to stave off a crisis in corporate debt.

