
VIRUS RELIEF PROGRAMS: WHAT TO WATCH

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Last week's "Behind the Markets" hosted two podcast conversations covering the coronavirus, discussing how various countries such as Sweden are managing to keep their economies open, and what the implications of different government relief measures are.

In the first podcast, we spoke with Samuel Rines, Chief Economist at Avalon Advisors, on how their team evaluates the current dynamics and how to position portfolios.

Our second conversation focused on small businesses and how two companies are navigating the new loan programs being offered. One in particular is helping small community banks speed up the loan application process.

- Rines is closely watching the [credit](#) markets, given the recent programs introduced by the [Federal Reserve \(Fed\)](#), and he believes there is even more [tightening of yield spreads](#) that should result from the Fed's packages. Rines highlighted [investment-grade](#) municipal and corporate debt as two areas of opportunity. With the Fed buying these instruments, the perceived credit risk is reduced, offering good relative yield.
- Rines described the Fed's programs as dynamite blasting through any clogs in the flow of credit. He believes the Fed has more dynamite and it will continue to blast through any credit dams blocking up the system.
- Rines believes the markets likely overreacted in pricing in the worst possible reaction on the downside and may now be pricing in a better-than-likely recovery. Companies may have a stronger savings mindset, with more cautious hiring and travel plans. The restart of the economy will have several bumps and a number of false starts along the way.
- Rines has a number of "alternative data" high-frequency indicators he'll be watching, such as TomTom traffic data, OpenTable restaurant data and FlightTracker24 data on airplane landings. To stay up to date on Rines' latest thoughts, you can sign up for his daily market commentary [here](#).

On the small-business side, Enrique Mendoza, CEO of Bowstring Studios, described his firm's content production services. Last year he shot videos in 33 different countries, and now production has been shut down entirely. Yet he highlighted how important partnerships and relationships are, as his team is working on helping universities, health care services and even financial service companies tell their stories now. He's currently trying to apply for the Paycheck Protection Program (PPP) but has found that some of the big banks opened their application window and then shut it almost immediately.

As firms look for options beyond the big banks, Neal Patel, Founder and Chief Appraiser at Reliant Business Valuation, created a [website](#) to help community banks manage the application process. His firm previously advised SBA lenders on business valuations for mergers and acquisitions (M&A) transactions, and they were able to pivot their technology to help banks through this novel lending program.

This discussion was very much a report from the “front lines” on how small businesses are managing this shutdown and how the SBA lenders are providing support to these small businesses. Please listen to the conversations with our guests below.

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DEFINITIONS

Credit: A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future.

Federal Reserve: The Federal Reserve System is the central banking system of the United States.

Quantitative Tightening: Quantitative easing is a process whereby a central bank targets lowering longer-term interest rates by purchasing bonds and other securities to stimulate the economy. Quantitative tightening is the reverse process whereby securities are either sold or the proceeds of maturing securities are not reinvested with the goal of tightening economic conditions to prevent the economy from overheating.

Yield: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

Spread: Typically refers to a difference between a measure of yield for one asset class and a measure of yield for either a different subset of that asset class or a different asset class entirely.

Investment grade: An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.