



Basis Points – May 14, 2020

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Above the Fold

TALF Returns Mid-June

With several iterations of stimulus already in the hands of Americans, the Federal Reserve (Fed) recently reestablished the Term Asset-Backed Securities Loan Facility (TALF) to further boost credit to consumers and businesses. The TALF was previously employed during the Great Recession to encourage lending, specifically in the area of securitized assets. Put simply, the TALF enables issuers of credit cards, student and auto loans, small business loans, commercial real estate loans and others to borrow from the Fed against the value of loans they make once the loans are securitized (basically lumped together in a package according to risk). This action puts cash back into the hands of the lender in order to continue to make more loans to consumers.

Since TALF loans are non-recourse, the borrowers can also “put” the collateral to the Fed, rather than repay the loan. So if consumers stop paying on the original loans made, the Fed will absorb the loss. TALF loans also tend to have a longer duration than typical Fed financing options, which gives borrowers more flexibility, along with payment schedules that closely match the underlying securities themselves, making TALF loans attractive as it simply becomes a “risk swap” for lenders until economic stresses subside.

To minimize risk, the TALF will only lend on AAA-rated paper, which has a relatively low risk of default, and the Fed expects this \$100 billion facility to be up and running in mid-June.

Three Things

1. *Meal Delivery Is Hot, and Some Are Looking to Capitalize* – Even before COVID-19 locked down large swaths of the general public, meal-delivery services were gaining momentum and logging solid sales increases in the United States. Now, Uber Technologies Inc., is looking to expand their reach in the space through a potential all-stock deal to buy competitor Grubhub Inc. The deal would unite two of the largest players in America, but the two companies have yet to agree on price and feasibility.
2. *Why Taxes Could Be a Good Thing for Some Companies* – With revenues falling short of expectations for many corporations, major tax breaks, enacted in March as part of stimulus efforts, are helping a great number get through these trying times. According to the Wall Street Journal, more than 50 public companies disclosed tax savings and deferrals totaling at least \$2.8 billion. Private businesses are also seeing benefits.
3. *Legumes Over Grains* – With ethanol demand and corn prices way down since early March, many farmers are switching their crops from corn to soybeans. The Department of Agriculture also expects a rise in export demand for soybeans to help support prices. Regardless, American farmers still have tough decisions to make as soybean prices are still very close to breakeven for many after falling roughly 12% year to date.

Did You Know?

The Latest (Fact-Checked) COVID-19 Positives

- Another [treatment](#) for COVID-19 showed reduced sick time and viral shedding during a phase 2 trial of mild to moderate cases. This three-drug combination of interferon beta-1b, lopinavir-ritonavir and ribavirin yielded successful results, but will undergo further analysis, according to The [Lancet](#).
- A 107-year-old artist survived the 1918 flu pandemic and recently conquered COVID-19. [Marilee Shapiro Asher](#), whose work is in the Smithsonian’s permanent collection, likely contracted the virus in March. By April, she went to the ER and was thought to have just hours to live, but was released from the hospital after five days and is continuing to recover.

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