

WEEK IN REVIEW

Friday, March 20th 2020

- Despite a highly volatile week within the markets, the silver lining is that equities closed the week higher than the week's low. Each day witnessed a reversal of the prior day, with intraday volatility reaching 9%.
- While this volatility is discomfoting, we believe this week's basing pattern is a positive response by investors to the consistent and concerted efforts from policy makers to dampen the supply shock caused by broad mandates to cancel mass gatherings, the closure of restaurants, businesses, and schools, as well as shelter in place orders throughout several metropolitan areas of the US.
- Subsequent to a string of intermediate meetings, monetary policy makers lowered the target interest rate to 0-25bps as well as implemented a stimulus program nearing \$1 Trillion, formed from a combination of treasury and MBS purchases. This was enacted in conjunction with global money centers, including the ECB, Bank of Japan, and Bank of England.
- In addition to monetary policy, a key factor that will determine the economic severity of the virus outbreak will include fiscal stimulus programs that are designed to temporarily counteract a cycle of business slow-down. Congress is currently contemplating upwards of \$850 Billion of fiscal stimulus that combines tax deferral, business loans, paid sick leave, cash payments to households, and increased Federal spending via projects.
- We believe the volatility will certainly persist in the coming weeks, and possibly for many months, as investors continue to look past an unprecedented tail event in market declines and consider where the opportunities for growth may lay ahead.
- A survey of broad economists and strategists project an economic rebound by year-end subsequent to a decline of 1-2% (annualized) for each of the next two quarters. In the view of these experts, the monetary and fiscal actions, if correctly managed, should blunt market volatility and stabilize the economy.
- The hospital system in the United States is more prepared to handle this crisis than some other regions of the world. Local and central governments are reinforcing the message that social distancing is not just optional, but necessary. As this movement gains more traction, we may witness an abatement of the spread in the coming weeks.

Despite the current uncertainty, we want to reiterate that the investment team has spent past quarters de-risking portfolios in anticipation of the market pulling back. This action was taken in response to slowing global growth and the uncertainty surrounding the upcoming election. We feel very confident that client portfolios remain properly diversified in anticipation of a market downturn. Many of you have been with us since before the Global Financial Crisis of 2008 – this current crisis, like others in the past, while very tragic in its human impact, will pass and will create future opportunities. The investment team continues to review client portfolios in this light.

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