March 2, 2020

CETERA® INVESTMENT MANAGEMENT

WEEKLY VANTAGE POINT

February 24-28, 2020

Economic Calendar

Monday, March 2
Markit US Manufacturing PMI, ISM Manufacturing, Construction Spending.

Tuesday, March 3
No Major Releases.

Wednesday, March 4
ADP Private Payrolls, Markit Services PMI, ISM Non-Manufacturing, Fed Beige Book.

Thursday, March 5
Worker Productivity & Labor Costs, Durable & Factory Orders, Jobless Claims.

Friday, March 6
Nonfarm Payrolls, Unemployment Rate, Trade Deficit, Wholesale Inventories & Sales, Consumer Credit.

What We're Reading

Worst Week Since 2008

More US Cases, First Death

Talking Down Panic

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Worst Week Since 2008

Stocks Enter Correction

Fears over the impact from the fast-spreading COVID-19 virus sent global markets reeling last week, with U.S. stocks registering their worst weekly performance since the 2008 financial crisis. U.S. equity markets were shaken after the World Health Organization raised its global virus risk level and more major companies warned that supply-chain disruptions could weaken sales and profit forecasts. Markets pared their weekly losses Friday after Fed Chairman Powell said that while the fundamentals of the economy remain strong, the central bank is closely monitoring the virus and is ready to act as warranted. Fed policymakers next meet on March 17-18 and an interest rate cut is widely forecast.

Weekly Performance

For the week, all three major U.S. indices skidded more than 10%, officially meeting the designation of a market correction. The Dow Industrials plunged 12.36%, losing over 3,580 points, the S&P 500 lost 11.44%, and the tech-heavy Nasdaq Composite sank 10.52%. The benchmark S&P 500 fell for a seventh-straight day on Friday, its longest slide since 2016.

Spending Slows, Incomes Jump

Personal incomes jumped by 0.6% in January, topping expectations for a 0.4% increase and follows a revised 0.1% rise in December. Personal spending grew at a slower 0.2% pace, half the revised 0.4% rate the prior month that was up from a previously reported 0.3% pace. In mixed takeaways, the household savings rate jumped to 7.9%, the highest since last April.

Deep Sector Losses

All 11 major sectors within the S&P 500 ended sharply lower, with only Communication Services narrowly avoiding a double-digit weekly loss. Energy (-15.37%), Financials (-13.50%), and Materials (-12.55%) fell the most, while Communication Services (-9.45%), Consumer Staples (-10.43%), and Healthcare (-10.55%) fell the least.

Treasury Yields Reach Record Lows

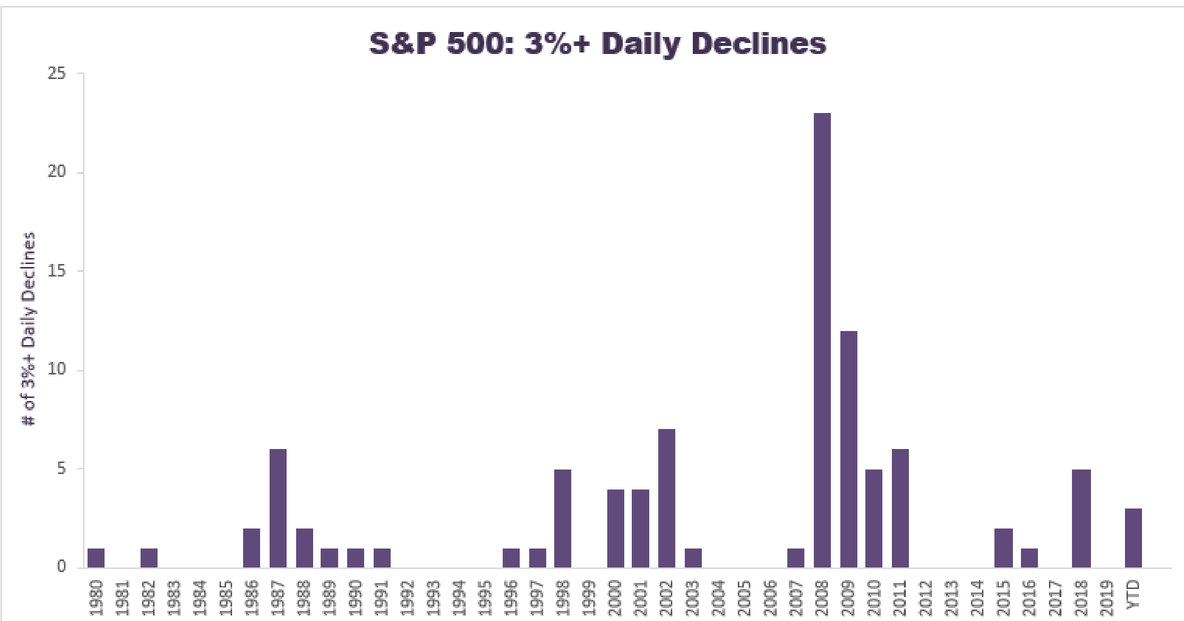
U.S. Treasury prices climbed notably higher amid the rotation into safe-haven assets, sending the yield on benchmark 10-year notes down 32.2 basis points last week to finish at 1.150%. Yields remain inverted with one, two, and three-month T-Bills closing out the week with higher yields than benchmark notes. Contrarily, gold prices fell by nearly $58 (-3.51%) to $1,585/oz. amid an acceleration in margin-call induced selling. Lastly, a weak fuel demand outlook caused WTI crude oil prices to plunge over 16% to end the week at a 14-month low of $44.76/barrel.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-12.36	-10.07	-9.78	-10.96	-1.96	6.88
S&P 500	-11.44	-8.23	-5.86	-8.27	8.20	9.88
NASDAQ Composite	-10.52	-6.27	-1.35	-4.37	14.95	14.95
Russell 3000	-11.57	-8.19	-6.04	-8.29	6.91	9.29
MSCI EAFE	-9.56	-9.04	-8.41	-10.94	-0.57	3.92
MSCI Emerging Markets	-7.23	-5.27	-3.91	-9.69	-1.88	4.89
Bonds	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Barclays Agg Bond	1.26	1.80	3.69	3.76	11.69	5.02
Barclays Municipal	0.74	1.29	3.44	3.11	9.47	5.33
Barclays US Corp High Yield	-2.56	-1.41	0.62	-1.38	6.10	4.86
Commodities	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Bloomberg Commodity	-6.88	-5.04	-9.03	-12.03	-11.06	-5.19
S&P GSCI Crude Oil	-16.15	-13.19	-22.97	-26.70	-21.79	-6.07
S&P GSCI Gold	-4.98	-1.34	7.25	2.86	19.06	7.71

Source: Morningstar

Chart of the Week: Fastest Correction on Record



Source: Cetera Investment Management, Yahoo Finance, Standard & Poor's. Data as of 2/28/2020.

News of rising COVID-19 cases outside of China last week drove volatility in markets higher and pushed the yield of 10-year Treasurys to a new record low. Through Thursday, the S&P 500 had its quickest correction (10%+ decline) from an all-time high (6 trading days). For the week, the S&P 500 was down 11.4% and declined by more than 3% in three out of five days. The S&P 500 has declined by 3% or more 96 times since 1980, with nearly a quarter of all occurrences in 2008. We anticipate further market volatility as investors monitor the impact of the COVID-19 virus on the global economy.

This report is created by Cetera Investment Management LLC.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary
The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based index.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest companies in the Russell 1000 Index, based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 Index.

The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindicies of the Municipal Index have historical data to January 1980. In addition, several subindicies based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **MSCI All-Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The SMCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The **MSCI EAFE** Index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

West Texas Intermediate (WTI) is crude oil produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing several other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720 and has been as low as 70.698 in March 2008.