

# WEEKLY VANTAGE POINT

March 2-6, 2020

## Stocks Edge Higher Last Week

### Economic Calendar

#### Monday, March 9

No Major Releases.

#### Tuesday, March 10

Small Business Optimism.

#### Wednesday, March 11

Consumer Prices, Average Hourly Earnings, Mortgage Applications.

#### Thursday, March 12

Producer Prices, Jobless Claims.

#### Friday, March 13

Import/Export Prices, Consumer Sentiment.

### What We're Reading

[S&P 500 Sinks >5%](#)

[Global Oil Prices Tank](#)

[Fed's FOMC Statement](#)

*These links to outside web sites are provided as a courtesy and are not under the control of Cetera Investment Management LLC. For more details, please see the "Disclosures" section.*

### Equities Pare Friday Losses in Half

U.S. equity markets pared more than half of their 4% intra-day losses on Friday, limiting the broad market S&P 500 benchmark index daily loss to 1.7% and ended the week fractionally higher. Investors were whipsawed last week with two outsized daily gains of over 4.2% to multiple losses of up to 3.4% in a week dominated by viral fears and an emergency intervention by the Federal Reserve. Fears over COVID-19's impact to the global economy intensified as the number of new infections outside China tripled last week. More favorably, the pace of daily new cases in China and South Korea have declined.

### Weekly Performance

For the week, the Dow Industrials climbed 1.79%, the S&P 500 rose 0.65%, and the tech-heavy Nasdaq Composite inched 0.12% higher. The benchmark S&P 500 ended the week 12.1% below its February 19 all-time high and was down 7.67% year-to-date.

### Surprise Fed Rate Cut

Federal Reserve announced early Tuesday that it cut interest rates by a ½-point (50 basis points) to a new range of 1%-1.25%. The emergency move was made to address "(economic) risks posed by the spreading coronavirus."

### Defensive Sectors Led Gainers

Six of the 11 major sector groups within the S&P 500 advanced last week, led by Utilities (+7.98%), Consumer Staples (+6.34%), and Healthcare (+4.96%). The Energy sector fell the most, down 7.22%, followed by Financials (-4.00%) and Industrials (-1.58%).

### Treasury Yields Reach New Lows

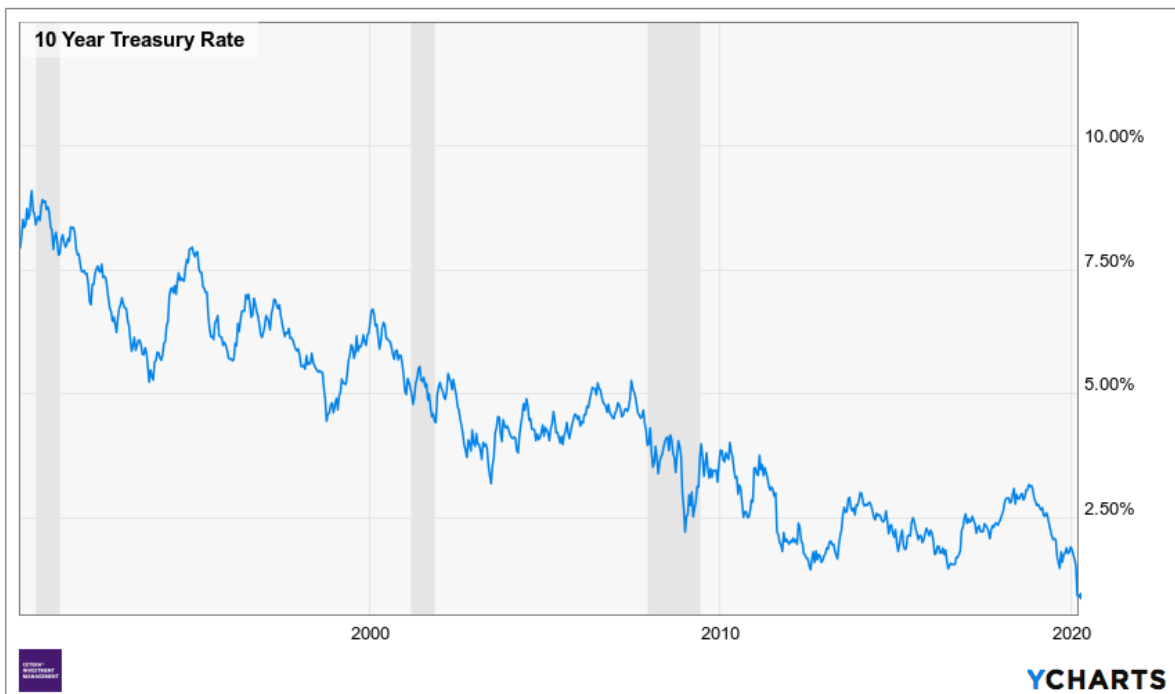
U.S. Treasury prices surged last week, sending yields sharply lower across the curve. The yield on benchmark 10-year notes sank over 38 basis points to end below 1% at 0.76%. Thirty-year Treasury bond yields also declined by 38 basis points, ending the week at 1.29%. In commodity action, WTI crude oil prices plunged 10% on Friday, as talks between OPEC and Russia collapsed in Vienna, leaving producers in the alliance free to set their own production levels. Through Friday, oil prices finished the week at \$41.28/barrel, down over 32% since the start of the year.

## Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	1.79	1.79	-7.68	-9.37	0.74	7.27
S&P 500	0.65	0.65	-5.08	-7.67	9.37	9.91
NASDAQ Composite	0.12	0.12	-0.70	-4.25	15.44	14.82
Russell 3000	0.31	0.31	-5.52	-8.01	7.99	9.25
MSCI EAFE	0.33	0.33	-8.08	-10.64	-0.37	3.93
MSCI Emerging Markets	0.69	0.69	-3.13	-9.06	-1.68	5.19
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	1.88	1.88	5.87	5.71	13.59	5.89
Barclays Municipal	0.26	0.26	3.66	3.38	9.61	5.62
Barclays US Corp High Yield	-0.44	-0.44	-0.21	-1.82	5.69	4.71
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	-0.24	-0.24	-9.17	-12.24	-10.57	-5.04
S&P GSCI Crude Oil	-7.67	-7.67	-30.17	-32.32	-26.45	-8.07
S&P GSCI Gold	6.79	6.79	14.20	9.85	29.87	10.93

Source: Morningstar

## Chart of the Week: Strong Jobs Gains Provide Early Relief



Source: Cetera Investment Management, YCharts, Department of the Treasury. Data as of 3/6/2020 .

The week ended with good news about the jobs market. 273,000 new jobs were added in February, which is an encouraging sign because February's data is the first view on the impact of COVID-19 on the U.S. economy. Despite a few key indicators signaling positive data in February, bond yields continue to fall and the 10-year Treasury yield hit its lowest level on record last week (0.70%). COVID-19 cases are rising around the world and there is still a lot of uncertainty around the impact on the global economy.

This report is created by Cetera Investment Management LLC.

### **About Cetera® Investment Management**

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

### **About Cetera Financial Group®**

Cetera Financial Group ("Cetera") is a leading network of independent firms empowering the delivery of professional financial advice to individuals, families and company retirement plans across the country through trusted financial advisors and financial institutions. Cetera is the second-largest independent financial advisor network in the nation by number of advisors, as well as a leading provider of retail services to the investment programs of banks and credit unions.

Through its multiple distinct firms, Cetera offers independent and institutions-based advisors the benefits of a large, established broker-dealer and registered investment adviser, while serving advisors and institutions in a way that is customized to their needs and aspirations. Advisor support resources offered through Cetera include award-winning wealth management and advisory platforms, comprehensive broker-dealer and registered investment adviser services, practice management support and innovative technology. For more information, visit [cetera.com](http://cetera.com).

"Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA/SIPC.

### **Disclosures**

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

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 subindices of the Municipal Index have historical data to January 1980. In addition, several subindices 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 MSCI 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.