

WEEKLY VANTAGE POINT

March 9-13, 2020

Stocks End Bull Market Run

Economic Calendar

Monday, March 16

Empire State Manufacturing.

Tuesday, March 17

Retail Sales, Industrial Production, JOLTS Job Openings, Business Inventories.

Wednesday, March 18

Mortgage Applications, Housing Starts, Building Permits, FOMC Policy Decisions.

Thursday, March 19

Philadelphia Fed Business Outlook, Jobless Claims, Leading Indicators.

Friday, March 20

Existing Home Sales.

What We're Reading

[S&P 500 Pare Losses](#)

[IMF Preps \\$1 Trillion Aid](#)

[Oil Falls Below \\$30/barrel](#)

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Equities Again Pare Friday Losses

U.S. equity markets on Friday retraced over 90% of Thursday's historic 9.5% single-day plunge that officially ended the longest bull market on the record books. Yet Friday's 9.3% recovery only trimmed the S&P 500's weekly loss to 8.7%. Investors remain deeply rattled by the rapid spread of the COVID-19 pandemic outbreak, which has infected about 170,000 people globally and claimed more than 6,500 lives. Investor sentiment improved Friday after President Trump declared a national emergency that speeds up COVID-19 testing, while also waiving interest on federal student loans and authorized U.S. oil purchases into the strategic reserve.

Weekly Performance

For the week, the Dow Industrials plunged 2,679 points (-10.4%), the S&P 500 lost 8.7%, and the tech-heavy Nasdaq Composite slumped 8.1%. Inclusive of dividends, the benchmark S&P 500 index ended the week 19.8% below its February 19 all-time high and was down 15.7% year-to-date (YTD).

Second Emergency Fed Rate Cut

Global equities plunged again Monday despite the Federal Reserve announcing on Sunday a second emergency Fed rate cut associated with the coronavirus, slashing its Fed Funds rate by a full 1% to the 0%-0.25% range. Moreover, the Fed initiated purchases of \$500B in Treasuries and \$200B in mortgage-backed securities (MBS).

Technology Falls the Least

All 11 major sector groups within the S&P 500 posted steep declines last week, with Energy (-24.1%), Utilities (-14.1%), and Materials (-13.2%) down the most. Technology (-5.2%), Healthcare (-6.5%), and Communication Services (-6.7%) were down the least.

Treasury Yields Inch Higher

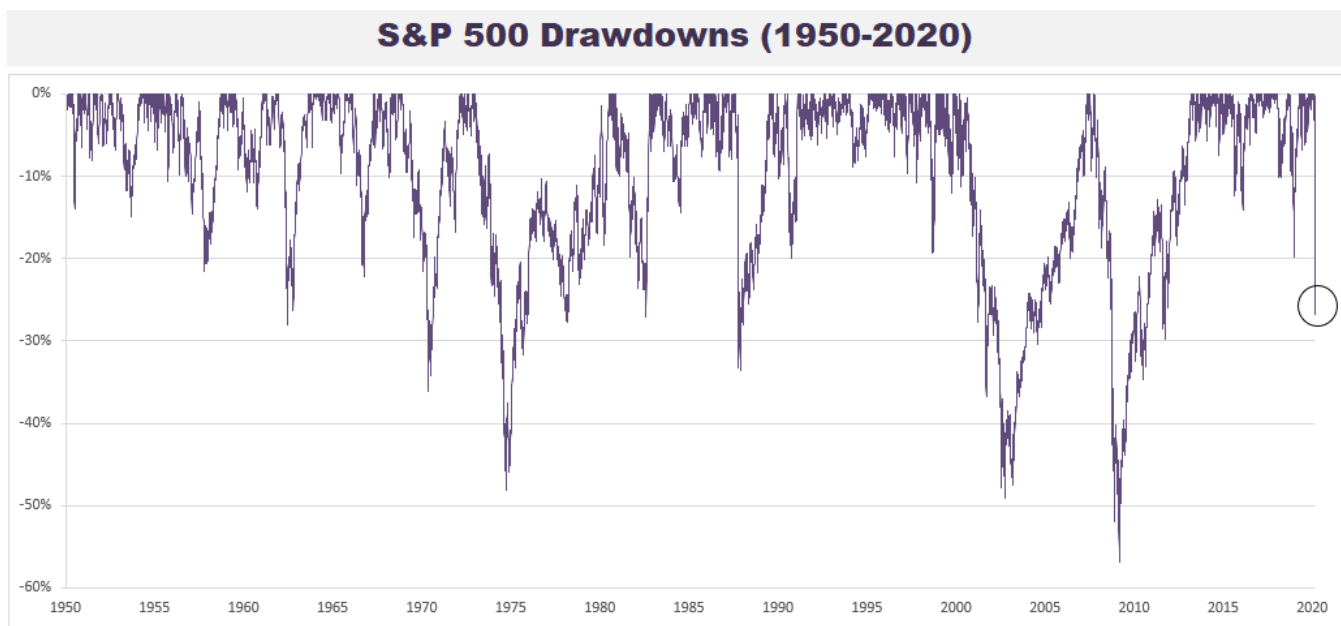
U.S. Treasury prices actually eased last week, lifting the yield on benchmark 10-year notes by 20 basis points to end its second week below 1% at 0.96%. Thirty-year Treasury bond yields also climbed, rising from 1.29% the week prior to 1.54%. Oil markets continued to plummet amid a global demand meltdown, with U.S. WTI crude oil prices extending a bear market to end the week at \$31.73/barrel, down 23.1% last week to a four-year low.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-10.36	-8.75	-17.59	-18.76	-9.77	3.55
S&P 500	-8.73	-8.13	-14.03	-15.73	-1.60	6.62
NASDAQ Composite	-8.14	-8.03	-9.62	-12.04	4.13	11.44
Russell 3000	-9.75	-9.48	-15.29	-16.98	-3.92	5.62
MSCI EAFE	-18.36	-18.08	-26.22	-27.05	-18.46	-3.15
MSCI Emerging Markets	-11.92	-11.31	-17.67	-19.91	-12.97	0.68
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Barclays Agg Bond	-3.17	-1.35	2.22	2.36	9.44	5.01
Barclays Municipal	-4.27	-4.02	-1.03	-1.03	4.59	4.22
Barclays US Corp High Yield	-7.15	-7.56	-8.04	-8.84	-2.08	2.58
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	-7.74	-7.96	-17.46	-19.03	-18.31	-6.57
S&P GSCI Crude Oil	-22.30	-28.26	-46.47	-47.41	-45.13	-13.10
S&P GSCI Gold	-9.18	-3.01	2.59	-0.24	15.45	7.99

Source: Morningstar

Chart of the Week: Stocks Enter Bear Market



Source: Cetera Investment Management, Yahoo Finance, Standard & Poor's. Data as of 3/13/2020. Based on closing prices.

The S&P 500 bull market reached its 11-year anniversary last Monday, before ending on Thursday. It was the longest bull market in U.S. history, but markets entered into a bear market (more than 20% decline) after Thursday's decline of nearly 10%. The S&P 500 went from a record high to a bear market in only 16 trading sessions. At this point, markets appear to be pricing in a higher chance of a recession, and it is a good reminder of the importance of diversification.

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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.