April 6, 2020

CETERA® INVESTMENT MANAGEMENT

WEEKLY VANTAGE POINT

March 30-April 3, 2020

Another Losing Week

Equities Retrace Gains

Following a 10% rebound the week ending March 27, U.S. equities declined last week, its third weekly loss in four, after labor reports showed record-setting jobless claims and a huge 701,000 plunge in hiring last month. Efforts to contain the COVID-19 pandemic have dramatically shuttered major swaths of American business and degraded global corporate profit outlooks. On a brighter note, St. Louis Fed President Bullard said on Sunday that he believes the U.S. economy “is not in free fall, as we’re asking the American people to stay home to invest in the national health” and use federal and state benefits to pay bills while at home.

Weekly Performance

For the week, the Dow Industrials fell 2.70%, the S&P 500 declined 2.02%, and the tech-heavy Nasdaq Composite lost 1.69%. Overall, the S&P 500 is largely holding a bear-market rebound that has recovered over 11% from its low the prior week.

New Unemployment Claims Double

Initial claims for jobless benefits more than doubled last week to 6.65 million amid the growing wave of COVID-19-related furloughs from business closures. Together with an upwardly revised 3.34 million the week prior, first-time claims during the last two weeks of March totaled 10 million. Before the coronavirus, the highest number of weekly claims were 695,000 in 1982.

Energy Gains the Most

Eight of the 11 major sector groups extended losses last week, with Utilities (-7.08%), Financials (-6.60%), and Real Estate (-5.97%) posting the largest declines. Energy (+5.39%), Consumer Staples (+3.50%), and Healthcare (+2.09%) posted gains.

Treasury Yields Weaken

U.S. Treasury prices climbed last week amid the deterioration in the labor market. As monthly jobs data collection is only through mid-month, the jobs picture will most likely worsen in April. The yield on 10-year Treasury notes fell by 8.2 basis points to 0.59%. U.S. WTI crude oil prices surged by nearly 32% last week to $28.34/barrel on speculation that Saudi Arabia and Russia is nearing an agreement to slash oil production. Lastly, the U.S. Dollar Index strengthened by 2.25% after weakening 4.4% the prior week.

Economic Calendar

Monday, April 6
No Major Releases.

Tuesday, April 7
JOLTS Job Openings, Consumer Credit.

Wednesday, April 8
Mortgage Applications Activity, FOMC Meeting Minutes.

Thursday, April 9
Producer Prices, Jobless Claims, Wholesale Trade Data, Consumer Sentiment.

Friday, April 10
***All Markets Closed for Good Friday Holiday*.**
Consumer Prices, Weekly/Hourly (Worker) Earnings.

What We’re Reading

Equity Bear-Market Rally

COVID-19 Daily Tallies Slow

U.S. Economy Not in Freefall

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Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-2.70	-3.94	-26.48	-26.23	-19.67	0.65
S&P 500	-2.02	-3.68	-22.67	-22.56	-11.60	3.85
NASDAQ Composite	-1.69	-4.23	-18.05	-17.59	-5.59	8.91
Russell 3000	-2.75	-4.30	-24.41	-24.30	-14.23	2.58
MSCI EAFE	-3.76	-4.66	-26.63	-26.43	-20.10	-3.24
MSCI Emerging Markets	-1.20	-1.95	-25.71	-25.09	-20.89	-2.50
Bonds	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Barclays Agg Bond	0.73	0.26	2.87	3.42	9.69	4.82
Barclays Municipal	-2.12	-1.76	-2.79	-2.38	2.31	3.31
Barclays US Corp High Yield	-0.59	-2.05	-14.65	-14.48	-9.13	0.05
Commodities	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Bloomberg Commodity	-0.83	0.55	-23.34	-22.88	-22.91	-8.22
S&P GSCI Crude Oil	31.75	38.38	-55.05	-53.59	-54.55	-17.37
S&P GSCI Gold	-0.51	3.08	6.01	8.05	26.99	9.48

Source: Morningstar

Chart of the Week: Record Employment Streak Ends

Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, and U.S. Bureau of Labor Statistics. Data as of 3/31/2020.

The COVID-19 outbreak is having a severe impact on the labor market. U.S. nonfarm payrolls fell by 701,000 in March and the unemployment rate jumped from 3.5% to 4.4%. The labor market was a bright spot for the U.S. economy prior to the COVID-19 outbreak. The U.S. economy had positive jobs growth for a record 113 consecutive months through February. Nearly 10 million unemployment claims were filed in the last two weeks of March, signaling a much higher rise in the unemployment rate in the coming months.

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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.