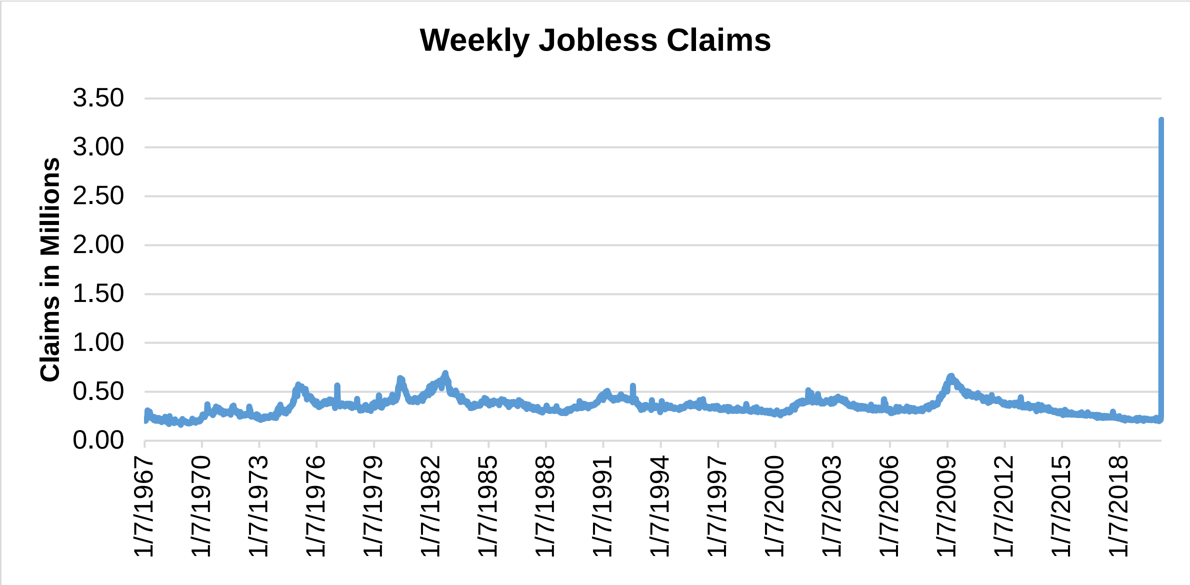
AndCo's Weekly Market Update

March 30, 2020

THE ECONOMY

Whatever positive feelings investors held in the early part of the year were quickly diminished by mid-March as COVID-19 (Coronavirus) spread throughout the world. As a result of the highly contagious virus, many countries determined the best course of action was to implement some form of containment policy which has led to the quick deceleration of the global economy.

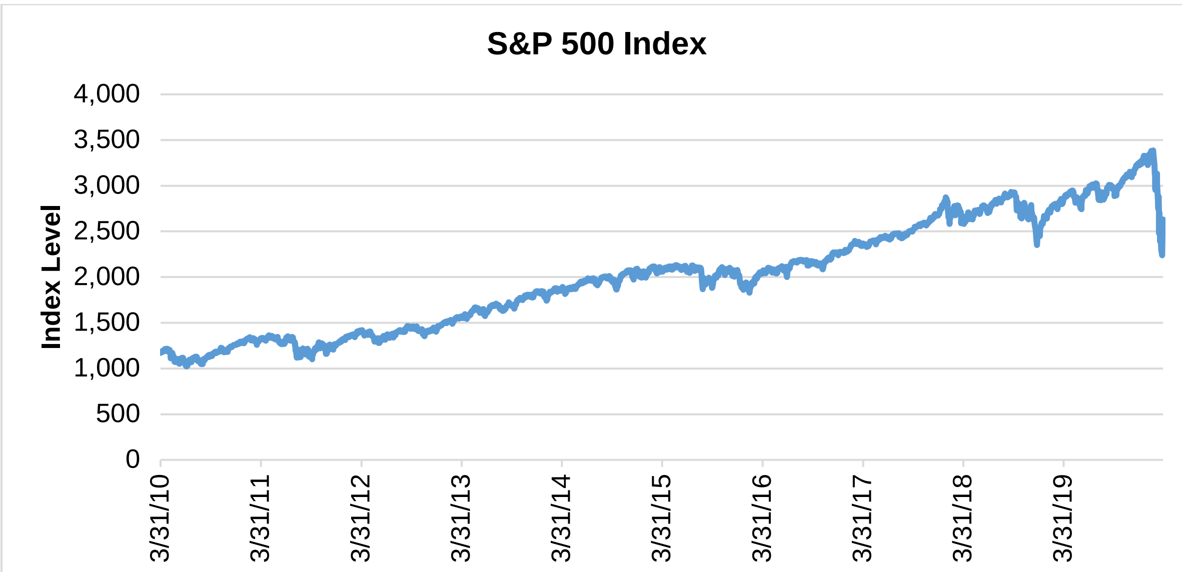
The first confirmation of the economic deceleration was received this week with the release of the weekly US Jobless claims which showed that more than 3.25 million people filed for benefits as a result of businesses shuttering, the largest spike in new claims recorded since 1982.



Source: https://fred.stlouisfed.org/series/ICSA as of March 26, 2020

EQUITIES

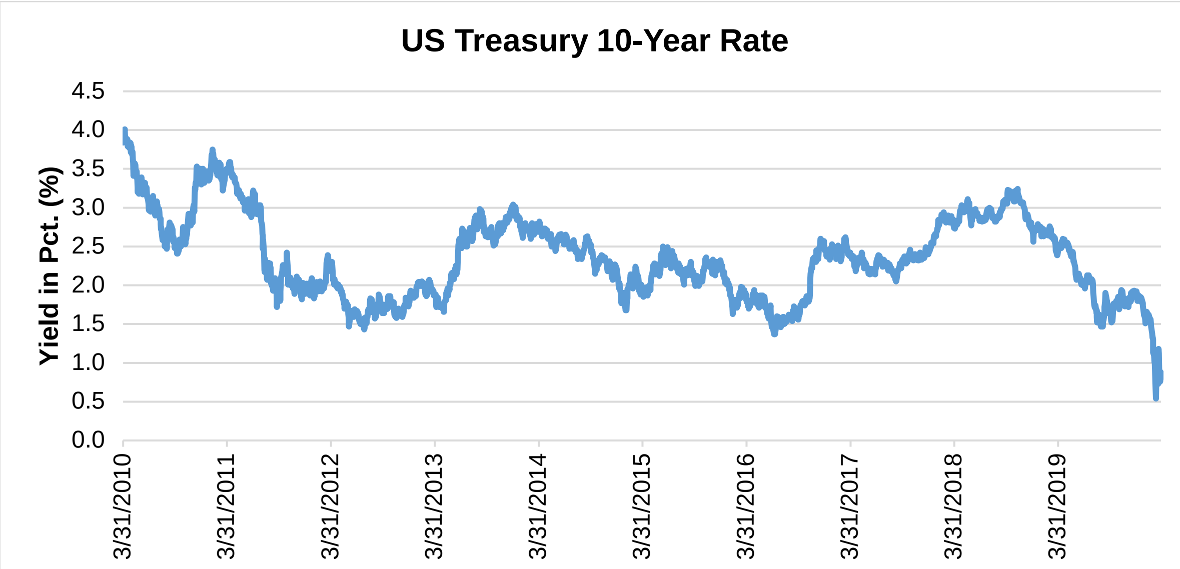
Markets dislike uncertainty. As a result of the spread of the Coronavirus, stocks have suffered the worst selloff since the Global Financial Crisis (GFC) in 2008. Since the market's peak on February 19th, the S&P 500 Index (SPX -price only) lost roughly -34% through Monday, March 23rd. Since then, the market has staged a 17% rally based on expectations of the stimulus package from Washington. Investors should be prepared to weather periods of increased volatility as the market begins to digest the impacts the Coronavirus has on businesses. From a valuation perspective, metrics such as Price-to-Earnings (P/E) and the Shiller CAPE (Cyclically adjusted P/E) suggest that stocks are more attractively priced now following the recent decline.



Source: https://fred.stlouisfed.org/series/SP500#0 as of March 26, 2020

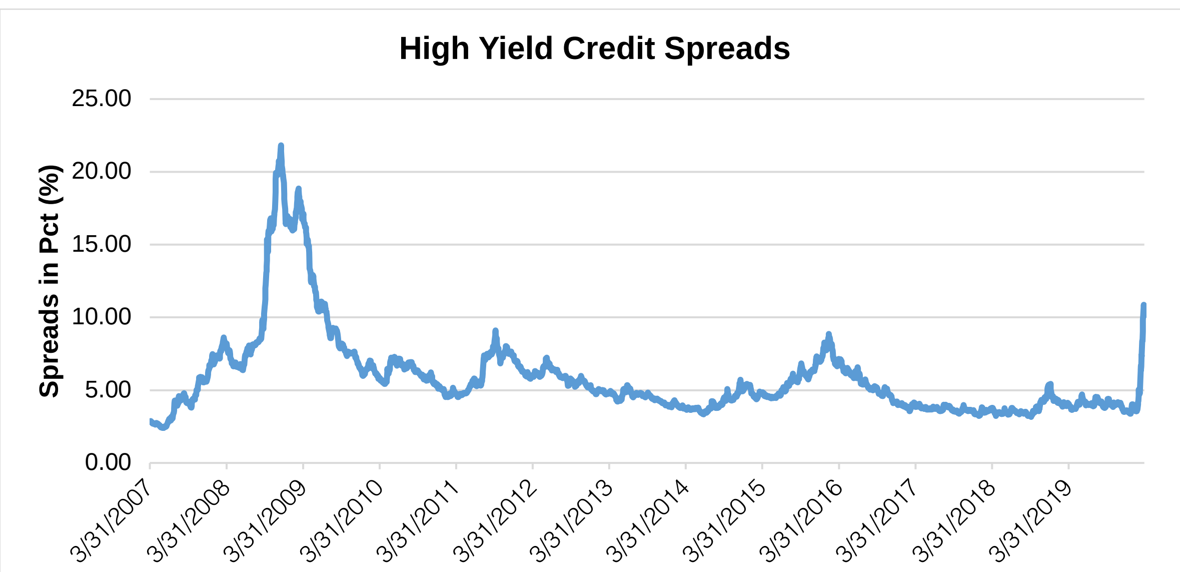
FIXED INCOME

US interest rates, as measured by the 10-Year US Treasury bond, recently hit their all-time low as concerns about the spread of the Coronavirus also impacted bond markets. The Federal Reserve (FED) recently took unprecedented action and lowered short-term interest rates by 150 basis points to the 0%-0.25% range in an effort calm the markets. The FED has also re-activated several credit facilities created during 2008's Global Financial Crisis (GFC), as well as introduced new facilities, all targeted at maintaining credit market liquidity and stability.



Source: https://fred.stlouisfed.org/series/DGS10 as of March 26, 2020

Not surprisingly, lower quality bonds were impacted the most as high yield bond credit spreads spiked to their highest levels since the GFC. While defaults are likely to increase, similar to stocks, bond yields and spread levels have become more attractive following the recent selloff.



Source: https://fred.stlouisfed.org/series/BAMLH0A0HYM2 as of March 26, 2020

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