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INCORPORATED

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Market Week: March 16, 2020



The Markets (as of market close March 13, 2020)

While the hope may have been that it couldn't get worse, unfortunately, it has. The coronavirus has not only posed a significant health threat to millions of people worldwide, but its impact has been felt economically and in the stock markets, both here and globally. Last Wednesday, the World Health Organization officially designated the coronavirus outbreak a pandemic, having reached more than 100 countries and more than 100,000 reported individual cases. President Trump announced that he intended to suspend travel from certain areas of Europe to the United States for the next 30 days. He also proposed plans for \$50 billion in low-interest loans to affected businesses and delaying the April 15 tax-filing deadline. And Congress approved about \$8 billion in funding to develop virus treatments and provide financial help to states.

Stock markets reacted negatively to that news, plunging dramatically on Thursday. Not unexpectedly, some individual stocks were hit hardest, including airline and transportation stocks, retail and eatery shares, and energy stocks. The markets recouped some losses midday Thursday following the Federal Reserve's announced intention to infuse more than \$1.5 trillion into short-term funding markets. But the spurt was short-lived as stocks suffered their worst single-day drop since 1987's Black Monday. Globally, stocks fared no better. STOXX Europe, Japan's Nikkei 225, and China's Shanghai Composite Index all suffered losses.

The sell-off continued into Friday, which looked poised to reach bear levels across most indexes. A late rally pushed stocks higher following the president's declaration of a national emergency last Friday afternoon. Whether this surge will carry over to next week remains to be seen. Nevertheless, each of the benchmark indexes closed last week in the red, led by the small caps of the Russell 2000 and the Global Dow. The Dow fell over 10% despite gaining almost 2,000 points late Friday. The Nasdaq and S&P 500 each managed to keep losses in single digits.

Oil prices continued to plunge last week, closing at \$33.34 per barrel by late Friday afternoon, down from the prior week's price of \$41.56. The price of gold (COMEX) also fell last week, closing at \$1,532.80 by late Friday afternoon, down from the prior week's price of \$1,674.30. The national average retail regular gasoline price was \$2.375 per gallon on March 9, 2020, \$0.048 lower than the prior week's price and \$0.096 less than a year ago.

Market/Index	2019 Close	Prior Week	As of 3/13	Weekly Change	YTD Change
DJIA	28,538.44	25,864.78	23,185.62	-10.36%	-18.76%
Nasdaq	8,972.60	8,575.62	7,874.88	-8.17%	-12.23%
S&P 500	3,230.78	2,972.37	2,711.02	-8.79%	-16.09%
Russell 2000	1,668.47	1,449.22	1,210.13	-16.50%	-27.47%
Global Dow	3,251.24	2,883.29	2,470.43	-14.32%	-24.02%
Fed. Funds target rate	1.50%-1.75%	1.00%-1.25%	1.00%-1.25%	-50 bps	-50 bps
10-year Treasuries	1.91%	0.70%	0.95%	25 bps	-96 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not



Key Dates/Data Releases

3/17: Retail sales, industrial production, JOLTS

3/18: Housing starts, FOMC statement

3/20: Existing home sales

be used to benchmark performance of specific investments.

Last Week's Economic News

- The federal budget continued to expand in February. The deficit was \$235.3 billion last month following January's deficit of \$32.6 billion. Last February, the deficit was \$234.0 billion. Year-to-date, the deficit sits at \$624.5 billion, \$80.1 billion greater than the deficit over the same period last year. The largest source of revenue, individual income taxes, is \$44.6 billion ahead of income taxes over the comparable period last year. Social Security continues to be the biggest expenditure, at \$448.0 billion for this fiscal year, followed by national defense and Medicare, each of which has cost roughly \$305.0 billion.
- Consumer prices rose 0.1% in February, the same bump as in January. Over the last 12 months ended in February, consumer prices are up 2.3%. Despite energy prices falling 2.0%, increases in food and shelter prices were enough to push overall consumer prices slightly higher.
- Producers saw their prices fall 0.6% in February after climbing 0.5% the previous month. Over the past 12 months ended in February, producer prices for goods and services have increased 1.3%. Prices for goods fell 0.9% in February, the largest decline since moving down 1.1% in September 2015. Over 60% of the broad-based February decrease can be traced to prices for energy, which dropped 3.6%. More specifically, gas prices fell 6.5% last month. Prices for services dropped 0.3% in February, the largest decline since last September. In February, over 70% of the decrease in prices for services can be traced to margins for trade services, which dropped 0.7%. (Trade indexes measure changes in margins received by wholesalers and retailers.)
- Prices for imports fell 0.5% in February after ticking up 0.1% the previous month. The decline in import prices was the largest decrease since a similar plunge last August. Since February 2019, import prices have fallen 1.2%. Import fuel prices decreased 7.7% in February, the largest monthly decline since the index dropped 7.8% in June 2019. Excluding fuel, import prices increased 0.3% in February. Export prices dropped 1.1% last month following a 0.6% increase in January. This marks the largest decrease in export prices since December 2015. Prices for exports declined 1.3% on a 12-month basis in February, after rising 0.4% from January 2019 to January 2020. Prices for agricultural exports declined 2.7% in February while nonagricultural export prices decreased 1.0%, pulled down by a drop in prices for industrial supplies and materials.
- For the week ended March 7, there were 211,000 claims for unemployment insurance, a decrease of 4,000 from the previous week's level, which was revised down by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended February 29. The advance number of those receiving unemployment insurance benefits during the week ended February 29 was 1,722,000, a decrease of 11,000 from the prior week's level, which was revised up by 4,000.

Eye on the Week Ahead

Although the Federal Open Market Committee was scheduled to meet later this week, the Committee gathered in an emergency session this past weekend and cut the federal funds rate to a range of 0.00%-0.25% — a 100 basis point slash, which, along with other moves, is intended to stabilize markets and the economy. The rate cut follows the House of Representatives passing of legislation that would make testing for the virus free and provide paid sick leave to certain workers.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow





is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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