MARCH 31, 2020
ECONOMIC UPDATE

LANDMARK
WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

As countries and economies around the world came to a standstill with the rapid spread of the COVID-19 pandemic, global markets plunged, falling over 22% through March. From its peak on February 19 to its bottom, the S&P 500 (US Stock Market) fell over 34%, resulting in the fastest decline into a bear market in history This extinguished the 11-year bull market that began in March of 2009, coming out of the global financial crisis. All asset classes, even some areas of the Fixed Income markets, experienced declines during the quarter.

It is an imprecise – and often futile – exercise to attempt to predict the length and breadth of market downturns. We have seen positive momentum in the markets at the end of the 1st quarter and partway into April. However, we will likely see continued elevated levels of volatility in the 2nd and 3rd quarters, and further market drops are possible. As more certainty on the course of the viral outbreak is given, markets, in their forward-looking nature, will likely begin to stabilize and then rebound into 2021.

MAJOR ASSET CLASS RETURNS

Asset Class	1st Quarter Returns
Core Bonds	2.5%
Non-Core Bonds	-9.0%
US Large Cap	-19.6%
US Mid Cap	-29.7%
US Small Cap	-32.6%
Global Equities	-22.6%
Developed International	-22.8%
Emerging Markets	-23.6%
Infrastructure	-29.3%
Real Estate	-27.2%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

ECONOMIC IMPACT

It is difficult to assess the economic impact of the COVID-19 outbreak, let alone the humanitarian suffering and cost. Due to social distancing and various quarantine policies, economic activity in industries across the US, and globally, have come to an unthinkable standstill, albeit a temporary one. This sudden halt, versus the more gradual decline in economic activity experienced in most recessions, has and will continue to result in historic short-term declines in economic indicators.

Second-quarter US GDP growth by some estimates could decline by 25% or more, as the global economy enters a sharp recession, and the unemployment rate is forecasted to hit the mid-teens. It is important to keep in mind that the magnitude of these figures is due to an outside shock. This recession was not brought on by structural issues with the financial system. As social distancing restrictions are eased, economic activity and employment are expected to pick-up in the second half of 2020, and into 2021. To support economic activity during this standstill, central banks and governments across the world have engaged in sizable stimulus programs to give individuals and businesses a bridge to get through this shutdown.

FEDERAL RESERVE POLICY RESPONSE

Using the blueprint of policy and stimulus created during the 2008 financial crisis, the Federal Reserve has been able to react quickly to the current crisis. In addition to cutting the Federal Funds Rate (benchmark interest rate) to zero, the Fed has taken additional measures designed to increase liquidity and confidence in the markets, and prevent a credit crunch:

- The Fed has restarted its previous program of Quantitative Easing (i.e., purchasing treasuries, corporate bonds, mortgages, etc.) and pledged to maintain these programs as needed.

- These purchases serve to provide a backstop and much-needed stability to these lending markets, as well as increasing short-term liquidity and lowering borrowing rates for households and businesses.

- Additional measures include backing commercial paper borrowing, municipal borrowing, and money-market redemptions. These measures were designed to reduce volatility in these areas as businesses and individuals rushed into cash during the volatility, causing unusual price swings in these asset classes.

- The Fed announced an additional $2.3 trillion in aid. This will provide additional loans to small and large businesses, as well as additional support and liquidity to state and local governments.

- The Fed has been adamant that they have plenty of resources left to support the economy

FISCAL ECONOMIC POLICY RESPONSE

The fiscal economic policy response has continued to scale in size to the growing need created by the COIVD-19 outbreak. To date, there have been three substantial policy responses: (1) the $8.6 billion Coronavirus Preparedness & Response Supplemental Appropriations Act; (2) the Families First Coronavirus Response Act; and (3) the CARES Act.

The most substantial of these, the $2.3 trillion CARES Act, was signed into law on March 27. At its core, this act builds on the previous stimulus measures, and is designed to provide an economic bridge to individuals, companies, and state and local governments during the shutdown through direct payments, expanded unemployment benefits, and loans/grants. There are also numerous spending provisions related to health and testing.

It is widely expected there could be expansions on these existing stimulus actions, as well as more policy and assistance as needs continue to grow with the pandemic.

LOOKING TO THE HORIZON

We understand that these are uncertain and unsettling times. First and foremost, we hope that you and your families are safe and staying healthy during this time. Each generation has faced challenges that during their depths seemed insurmountable; however, our country has prevailed through these times, and the markets have been resilient. As your advisors, we are here to guide you through this time.

- Although the impact may be dampened initially due to the quarantine status of consumers and businesses, the stimulative policies from the Federal Reserve and the Federal government are historic in size and scope and expected to considerably ease economic pain and help accelerate a rebound in economic growth.

- Every economic downturn has been followed by recovery. Markets typically recover in advance of the economy, often seeing a full recovery within 24 months (and quicker in some cases). Moreover, downturns, while challenging, create a new base for market expansion that can last for several years, often providing opportune investing points.

- The S&P 500 fell 34% as of March 23, representing the 12th bear market since the end of WWII. The average bear market decline since 1945 from peak to trough is approximately 34%. While this downturn has been rapid, its magnitude is in line with average bear markets.

- The average return for the S&P 500 in the first-year following the market low during the past 11 bear markets was over 30%, highlighting the importance of staying invested.

- Our country has endured and gotten through many challenging times: WWII, the Kennedy Assassination, Watergate, the Cold War, the Tech Bubble, and the Financial Crisis of 2008. All of these events were different, yet each time our country, the economy, and the markets, persevered. We are confident that we shall see this through again, as we have in the past, together.

Our team is meeting regularly to discuss each client's situation and specific circumstances to ensure the portfolios are appropriately allocated to meet their long-term objectives. We will continue to inform and communicate with all of you regularly through these unprecedented times.

Finally, know that we are all in this together. Stay safe, stay healthy, and we will get through this.