



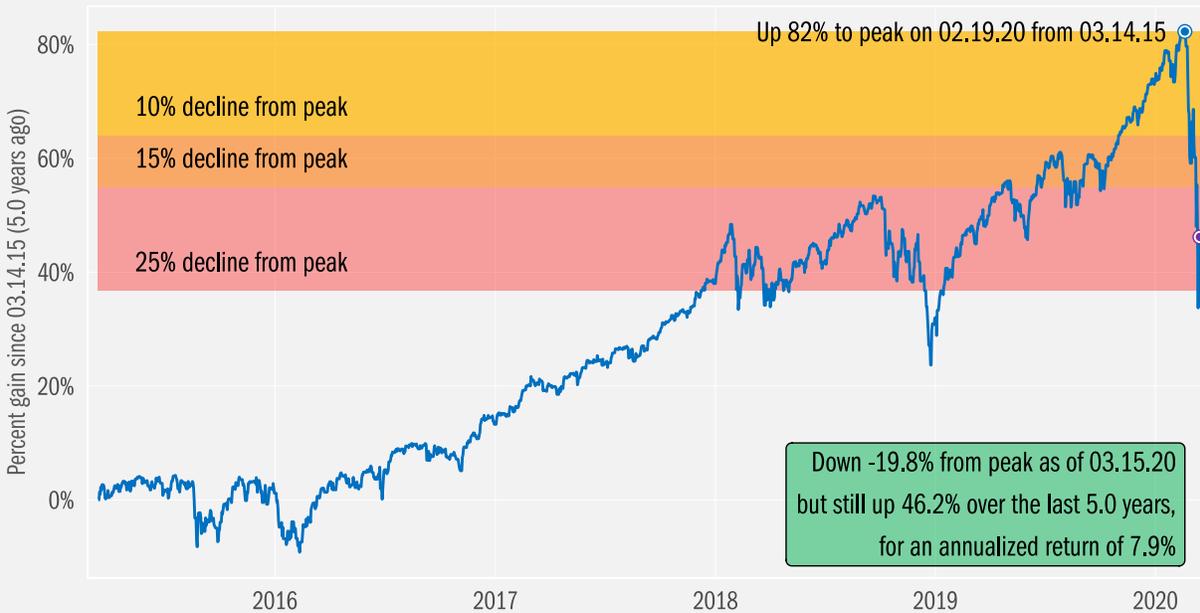
RECORDS SET, TOLERANCE TESTED

The day before turning in its fifth-worst day in history—its worst single-day performance in more than three decades—on Friday the S&P 500 turned around to record its tenth-best daily return in history. That it ended on a strongly positive note may have been little relief for the anxious, as the index remains down just under 20% from its February record peak. The two-way volatility we saw last week offered a strong reminder that remaining invested during times of market tumult generally has proved the better course for those with reasonably long investment time horizons.

Checking In

With Friday's 9.3% bounce, the S&P 500 is down just under 20% percent from the record peak set last month. The index remains at levels not seen since December 2018 and that were first experienced by that index in December 2017. Regardless how one absorbs that context, we think it important to add it to the broader backdrop of one's financial plans. Where invested monies are not required in the medium-term, and to the extent that—emotional comfort with the volatility notwithstanding—the COVID-19 outbreak and the market's drawdown has not changed those longer-term plans, we believe it best to remain invested according to those prior plans.

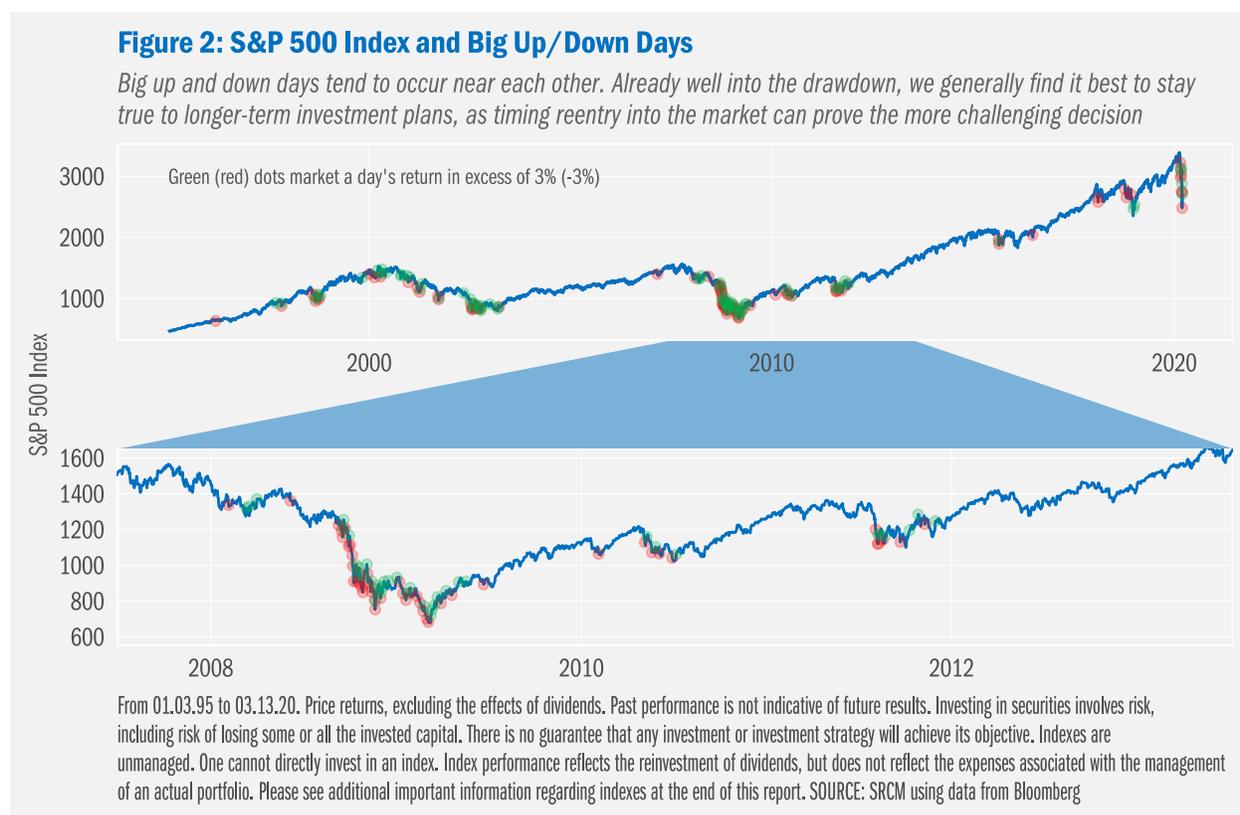
Figure 1: S&P 500 Index Total Return



From 03.14.15 to 03.15.20. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

Good With the Bad

Additional detail might be helpful in supporting that stay-the-course perspective during volatile times like these. In Figure 2, we chart the S&P 500 Index since the end of 1994. Along that chart we highlight days with returns greater than 3% in either direction. The top shows the longer history, while the bottom shows the S&P's progress during the Financial Crisis. Quickly observable in the data is the fact that those large up and down days tend to congregate, with last week's Thursday/Friday paring of 9%+ moves yet another example.



Reflecting back on the Great Recession, we find it important to note that the later stages of that market decline were quite sharp as well, though the gains that were seen subsequent to that drawdown were less steep. We've no crystal balls to ponder here, but we have the sense that this time around might prove similar in that way, especially when one considers recent comments from the present Director of the National Institute of Allergy and Infectious Diseases (NIAID) at the National Institutes of Health (NIH), Dr. Anthony Fauci, suggesting the outbreak will get worse before it gets better.

Substantive Preparation Underway

It would seem the weekend brought with it vastly more substantive action to combat the viral outbreak and the market downturn. The U.S. is now closed to travel from all of Europe, as well as China and Iran, and the screening of arriving passengers was being implemented in earnest fashion. Meantime, regional and local governments have been expanding limits to group gatherings. The U.S. saw more than a bit of panic grocery buying as schools and many business closed, implying more at-home meals, and many families otherwise

sought to firm up stores of provisions. Hopes lifted that these more serious approaches to limit the spread of the virus soon will show positive effects.

Further acknowledging the potential severity of the impending dual health and economic crises, early Sunday afternoon the Federal Reserve cut its target for short-term interest rates by a full percentage point, to between 0% and 0.25%, fully erasing the tightening that began in December 2015 and ended with the 25 basis point (0.25%) cut in July of last year. The Fed also implemented measures to strengthen market liquidity (availability and movement of funds) while also boosting its purchase of bond holdings and enhancing policy coordination with the central banks of other nations. These actions came after similar, but less aggressive actions taken last Thursday.

We Are Here For Your Calls

Our stating that we believe it important to remain focused on longer-term financial plans, of course may only offer light salve to those worried about the health of themselves and their families, let alone their invested monies. Please know that we welcome your calls to discuss recent portfolio performance and help you place that performance in the fuller context of your financial plans.

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The S&P 500 Index measures the performance of the large-cap segment of the U.S. equity market.

One cannot invest directly in an index. Index performance does not reflect the expenses associated with the management of an actual portfolio.

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