



Soundings

What's New - April 2020

Quote of the month:

"In the stillness of the quiet, if we listen, we can hear the whisper of the heart giving strength to weakness, courage to fear, hope to despair." Howard Thurman

It was 3:55 am when I read the quote above in early March. The market was in the middle of its historic meltdown. I'd just finished my pre-market research and knocked out the Wall Street Journal. The futures pointed to another ugly day. I was letting it all sink in and doing my mental prep for the upcoming day. I took a break to check my email and came across that gem, second in the queue. I had never heard of Mr. Thurman but his words were written for that moment, and reading of his life of service helped put everything in perspective.

I don't have to tell you that March was ugly. You've watched the news, read the papers, talked with friends and family, and opened your investment statements. The financial markets have bounced from their recent lows but whether we revisit them is an open question. As for our tactical models, the rules have brought us to defense and I've raised cash. It will be redeployed when the indicators suggest. In the meantime, there is positive news out there if you look hard enough, on both the medical and economic fronts. You can read the details inside on page 3. Finally, we will win this war and though you might not feel this way at present, its likely we will be back to new highs before you currently expect. For now, stay healthy, both in mind and body, and please reach out if you need anything.

In this month's *Market & Economic Commentary*, I've placed a piece from Raymond James with comprehensive details of all that occurred last month, along with forecasts from various experts across the firm. It's a very informative and will likely give you an expanded insight into all that's going on as well as what we could expect going forward. Give it a look, it's worth your time. First, the numbers...

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Market Update - Year to Date Returns

<u>Major Indexes</u>	<u>(As of 04/01/20) *</u>
Dow Jones Industrials	-23.2%
S&P 500 Index	-20.0%
NASDAQ	-14.2%
DJ Global ex US	-24.2%
Russell 2000 (small cap index)	-30.9%
Barclays Capital Aggregate Index (Bonds)	2.7%
XAU (gold/silver)	-26.2%

* Source: The Wall Street Journal

D.A.L.I. Signals - 04/01/2020

[D.A.L.I. Page](#)

Cash	Fixed Income	Currency	Dom. Equities	Commod	Int'l Equities
272	266	193	159	131	65
25.0%	24.5%	17.8%	14.6%	12.1%	6.0%
(+0)	(+0)	(+0)	(+0)	(+0)	(+0)

Source: Nasdaq Dorsey Wright

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Barclays Capital Aggregate Index measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's, or Fitch Investors Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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Market & Economic Commentary

To say that a lot has changed in the last month might be the understatement of a lifetime. The markets are playing a weak supporting role to the worst healthcare challenge in our generation, as well as the worst economic problem since 2008. The good news is that policymakers are unleashing all the tools at their disposal in an unprecedented way to essentially “buy time” for the economy while we await medical solutions, explains Raymond James Chief Investment Officer Larry Adam. The \$2 trillion stimulus package includes programs, loans, funding and direct payments to help keep the recession shallow, and when the crisis passes, these could be the key components of very strong growth. “The combination of aggressive monetary policy and substantial fiscal stimulus should deter the worst-case scenarios from occurring,” shares Adam.

In response to the COVID-19 pandemic, the Federal Reserve announced two cuts to the overnight lending rate target range, now between 0% and 0.25%, and we’ve seen the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, both intended to provide some economic relief during the global quarantine. With the number of new daily cases still spiking, the ultimate duration and magnitude of the outbreak remain highly uncertain, cautions Joey Madere, senior portfolio strategist, Equity Portfolio & Technical Strategy. There are glimpses of optimism, though. Stocks, particularly healthcare names, rallied slightly as testing became more available and the stimulus package passed. However, it wasn’t enough to make up for the substantial losses seen throughout the month. For the quarter, all three domestic indices ended well into record-breaking negative territory.

Here is a look at some key factors we are watching, both here and abroad. **On the economy**, initial claims for unemployment benefits rose to a record 3.3 million on a seasonally adjusted basis, with nearly every state citing the impact of the virus. The economic aid package extends benefits to a broader range of unemployed workers. Still, the unprecedented increase in jobless claims suggests that labor market conditions are deteriorating more rapidly than previously thought, explains Chief Economist Scott Brown. It’s no surprise that social distancing has had a major impact on the economy, particularly in the airlines, hospitality, leisure and retail space. Job losses will hinder consumer spending and business investment in the near term, Brown concludes.

To stocks: March was one of the worst months ever for the oil market as demand fell dramatically due to the COVID-19 pandemic, compounded by the Saudi-Russia price war, explains Pavel Molchanov, director of equity research. As previous recoveries reveal, buying at the absolute bottom is not necessary to generate sizable returns. Bear market declines are often rapid, whereas bull markets typically last for much more extended periods of time, Madere suggests. Even if equities experience additional weakness, stocks will eventually find a bottom. As the market shifts from decline to advance, investors may want to allocate additional capital. Across the pond, the full implications of the health challenge of COVID-19 are still being worked through, but policymakers around the world are loosening monetary policy and developing assistance programs in response. Countries in East Asia including China and South Korea - which have tentatively culled their COVID-19 outbreak to negligible levels - have provided insights into how others can start to fully emerge from the restrictions and impacts of the virus.

What about bonds: Not all fixed income is the same. The Fed is supporting investment-grade securities and providing only limited support for businesses that issue in the high-yield space. The Fed is directly buying Treasuries and Agency MBS, but they are also indirectly buying investment-grade corporates and munis. More than ever, quality rules, says Chief Fixed Investment Strategist Kevin Giddis.

Bottom line: In times of volatility, a disciplined investment strategy should help as markets tend to overreact on both the downside and upside as headlines drive fear and over-optimism, explains Adam. Regardless of where stocks ultimately find a bottom, the current bear market provides a tremendous opportunity for long-term investors, Madere adds. With stocks down sharply, those with diversified portfolios and a long-term outlook can ease into partial positions (reserving some buying power for a sustained rally).

Chris Bailey, Raymond James Investment Services “Stocks Wrap Up the First Quarter With Double-Digit Declines” RJA 4/01/20

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On a Personal Note

A few weeks back, before the lion's share of the planet shut down, I found myself in Orlando for a three-day Rotary President-Elect Training seminar. I was joined by leaders from around the state of Florida and Grand Bahama Island, part of our Florida district. Coronavirus be damned, at the time, Orlando was pretty much open for business. What an experience. There were speakers from around the globe, my favorite was a young, energetic Brit named Chris Wells. Chris was a character. He leapt onto the stage, pacing frenetically from end to end, as he told the story of how he became involved in Rotary. Despite his boundless energy and enthusiasm, his path to Rotary began with a bit of darkness. He'd recently graduated from University, settled into his dream job, and should have been insanely happy. Instead, he found himself deeply depressed to the point that it became frightening. Two things happened that would change his life. First, a friend convinced him to get professional help. Then, another friend introduced him to Jim Davies, a long-time Rotarian who suggested Chris start up a Rotaract Club (popular in the UK, it's Rotary for the younger generation). Admittedly, he had no idea what to expect but decided it might be just the outlet he needed to give him a shot of "purpose" and help launch him out of his deep funk. The title of his talk was "Do Goodery" and in his words, that's the mission of Rotary. Fueled by Chris's newfound passion, his club quickly starting making a meaningful difference in his town of Market Harborough. They held regular food drives for local food banks, created a support group for young stroke victims, held regular pub quiz fundraisers, and even organized an evening comedy and music event to raise money for a young man who'd been admitted to a prestigious film course in London but couldn't afford the fee. The success of Chris's club was contagious (in the good sense) and several offshoot clubs have sprung up as a result. Good thing. The world sure needs more "Do Goodery."

I love a good road trip and that made it an easy choice to drive down to Orlando for the seminar. Besides the quiet time, it gave me the opportunity to visit my folks afterwards, two hours to the south in Sarasota. My dad had just turned 86, my mom a youthful 79. Growing up, everyone loved my mom. I used to joke that when she walked down the street, the birds would sing, the flowers would bloom...think Uncle Remus. Then came my dad. The flowers snapped shut, the birds dashed off, the skies would grow dark, the clouds rumble. My dad was a tough cat. Small in stature, standing 5' 4" on a good day, he had the presence of a Marine Corps Gunnery Sargent. And he raised us tough, think "Great Santini" tough. He wanted us prepared for the real world. And prepared we were. I actually loved my boot camp GySgt, nicknamed, the "Evil One." He reminded me of my pop. But there we were, years down the road, my pop's memory not what it used to be (who's is). There was a time, spanning around 15 years, when we were estranged, virtually no communication. As such, my pop missed a good amount of my kids' childhood. Now that we were are in a good place, I like to share those years and the trials and tribulations that his son got to experience with his grandsons. Payback stuff. During this visit, when I shared with my dad how proud I was of my sons, for the first time ever, he shared how proud he was of his and what a joy it was to see them grow up and become men. Talk about a lightning bolt. My pop had never, ever shared like this before. Not his style. But as I've said, his memory is a bit in-and-out and during our talk, he'd often not realized that I was his eldest son...hence the beautiful honesty. The Lord works in wonderful and mysterious ways.

As we pass through these challenging times, I'm going to do my best to remember what's most important. Taking care of those we love, not letting anyone slip through the cracks, staying positive and being a part of the solution. The truly wonderful thing about the tough times is that they tend to bring us together, united in a common purpose. Let's see if we can't keep that going after we punch through to the other side. As always, let me know if you need anything. In the meantime, stay well, and cognizant of the many blessings that abound even in the darkest of times.

Warmest regards,



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