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LEONARD A. WEISS
SENIOR VICE PRESIDENT, INVESTMENTS
LEONARD.WEISS@RAYMONDJAMES.COM

LOWELL J. WEISS, J.D., CFP®
FINANCIAL ADVISOR
LOWELL.WEISS@RAYMONDJAMES.COM

WEISSWEALTHMANAGEMENT.COM

DJIA: 22,893 | NASDAQ: 2,685*

A Historically Volatile Quarter

First and foremost, we hope this letter finds you, your family and loved ones healthy and safe. These are certainly trying times for us all. While much of this letter will not be new information for you – we wanted to continue to provide clear information and understanding of what has happened.

Market volatility surged in the first quarter to levels last seen more than a decade ago during the financial crisis, as the COVID-19 pandemic swept the globe and prompted the partial shutdown of most major global economies, including the U.S., EU and most of Asia. But while the pandemic was the main cause of the historic volatility we've witnessed over the past several weeks, the coronavirus outbreak was not the only source of volatility in the markets during the first quarter, as geopolitics and domestic political developments also impacted markets over the past three months.

In sharp contrast to the relatively calm market environment of 2019, the new year started with a geopolitical shock when, on January 3rd, the United States executed a tactical strike that resulted in the death of Iranian General Qasem Soleimani, whom many considered to be the second most powerful person in Iran. Tensions between the U.S. and Iran rose sharply as Iranian leaders promised retaliation, and stocks dropped on the news while oil rose as investors feared a potential regional war. Positively, the Iranian response, a small rocket attack on a U.S. base in Iraq, did not cause further escalation. Additionally, Iran mistakenly shot down a Ukrainian commercial airliner during the rocket attack, tragically killing all 176 people on board, and the global fallout from that all but ended the conflict. Ultimately the geopolitical crisis was short lived, but it proved to be a harbinger of what was to come later in the quarter.

As the geopolitical scare faded, investors' focus turned back to the U.S.-China trade war, as both China and the U.S. signed the "Phase One" trade deal in mid-January. The agreement did not provide material tariff relief, however it did importantly signal no further tariff increases. As such, it provided needed clarity to global industrial companies and the markets. In response, stocks moved steadily higher, powered by the favorable combination of the U.S.-China trade "truce," low interest rates following the rate cuts of 2019, historically low unemployment and steadily rising corporate earnings. Fundamentals for the economy and the stock market were very strong, and the S&P 500 hit several new, all-time highs between mid-January and mid-February.

But, starting February 20th, market volatility rose sharply as the number of active coronavirus cases began to dramatically accelerate in South Korea, Iran and Italy. The swift spike in new coronavirus cases outside of China resulted in a sharp drop in stocks in late February. Those declines were then compounded throughout March as the number of active coronavirus cases in the U.S. began to increase rapidly. The S&P 500 tumbled more than 25% from the mid-February highs to the late-March lows, amid rising fears that "social distancing" measures being implemented globally to stop the spread of the disease, would have a broad and substantially negative economic impact.

Positively, the U.S. government has acted to support the economy as the Federal Reserve cut interest rates to zero percent and implemented several important measures to provide short-term cash for corporations and ensure there's plenty of capital for the broader banking system. Congress also passed multiple economic relief bills, the largest of which was a $2.2 trillion stimulus package aimed at providing support for businesses and displaced workers. Those actions are working to help keep the banking and financial systems functioning in an orderly manner as well as supporting the economy through this unprecedented shutdown. Stocks reacted to these positive events by rallying sharply during the last week of March, although the major averages still finished the first quarter with large declines.

As we begin the second quarter of 2020, it's fair to say investors and markets are facing a level of uncertainty that we have not seen in over a decade. But it is also true that the government has acted in a historically forceful way to support the economy and foster growth once the coronavirus pandemic has passed, and despite a volatile quarter, that is a comfort as we move forward.

1st Quarter Market Performance Review

The major U.S. stock indices all dropped sharply in the first quarter on concerns about the economic fallout from the coronavirus pandemic. But, the tech-heavy Nasdaq relatively outperformed the other three major indices, thanks to large-cap tech companies being viewed as somewhat insulated from the economic fallout compared to many other industries. The S&P 500, Dow Jones Industrial Average and Russell 2000 (the small-cap index) all saw larger declines in the first quarter.

By market capitalization, large caps outperformed small caps in the first quarter, and that is what we'd expect when market declines are being driven by concerns about future economic growth, because large caps are historically less sensitive to slowing growth than small cap stocks. From an investment style standpoint, growth relatively outperformed value, yet again, due to strength in large-cap tech.

On a sector level, all 11 S&P 500 sectors finished the first quarter with negative returns. Traditionally defensive sectors, those that are less sensitive to changes in economic activity like utilities, consumer staples, and healthcare, relatively outperformed, which is historically typical in a down market. Technology shares also outperformed the S&P 500, again due to relative strength in large-cap tech companies as their businesses are thought to be more resilient than other parts of the market.

Conversely, cyclical sectors, those that are more sensitive to changes in economic activity, badly lagged the S&P 500 in the first quarter. Energy was, by far, the worst performing sector in the S&P 500, as it declined sharply due to plunging oil prices. Material and industrial stocks also underperformed on fears of reduced future earnings if there is a prolonged global economic slowdown.

US Equity Indexes	Q1 Return	YTD
S&P 500	-19.60%	-19.60%
DJ Industrial Average	-22.73%	-22.73%
NASDAQ 100	-10.29%	-10.29%
S&P MidCap 400	-29.80%	-29.80%
Russell 2000	-30.61%	-30.61%

Source: YCharts

Looking internationally, foreign markets also declined in the first quarter, and again underperformed the S&P 500. Foreign developed markets slightly outperformed emerging markets, although barely so, as the economic fallout from the coronavirus is thought to be widespread globally. Meanwhile, emerging markets lagged both foreign developed markets and the S&P 500, although emerging markets did benefit from a rebound in Chinese markets in March, as China was successful in containing the coronavirus and their economy began to re-start late in the first quarter.

Switching to fixed income markets, the total return for most bond classes was positive in the first quarter, although corporate bonds saw steep declines over the past three months, which is not surprising given the potential economic fallout from the coronavirus pandemic. The leading benchmark for bonds, the Bloomberg Barclays US Aggregate Bond Index, experienced positive returns for the sixth straight quarter.

2nd Quarter Market Outlook

What a difference a quarter can make.

At the beginning of 2020, market fundamentals were arguably as positive as they had been in years. Interest rates were low, the labor market was historically strong, the U.S. and China achieved a potentially lasting truce in the long-standing trade war, and the global economy was showing signs of acceleration following a sluggish 2019.

But all that was upended by the coronavirus, which not only caused historic and unsettling volatility across global financial markets, but also upended normal society in a way none of us have ever seen before.

Across the nation, and the world, roads are mostly empty, office buildings are vacant, schools are closed and normal life as we have known it has largely ground to a halt.

Yet it's important to point out that, as Fed Chair Powell stated in a recent interview, there was nothing "wrong" with our economy before the coronavirus hit. There was no tech stock bubble and no housing bubble, like we saw in the last two U.S. recessions. As mentioned, economic fundamentals were rather positive prior to this unprecedented shock, and that offers some comfort when we look at investing over a longer time horizon.

To that point, it is also important to remember that this unprecedented market volatility, along with these societal disruptions, are temporary. At some point, the spread of the virus will peak and begin to recede.

Similarly, these social distancing measures, while unsettling, also are only temporary. Our children will once again return to school and adults will return to work. Air travel will resume, cruise ships will set sail again, and the U.S. economy, which is by far the most flexible and resilient in the world, will recover. , and that recovery will come sooner than previously thought thanks to the actions by the U.S. government over the past few weeks.

Over the past month, we have all witnessed a degree of panic, both in regular society as well as in the financial markets. But as we all know, the worst thing to do during a panic is to panic. That's because panic leads to hasty, short-term decisions that jeopardize your long-term best interests.

Although no one could foresee this virus or the impact it would have on the markets and the economy, events such as this are why we have spent time with you designing a long-term, balanced financial plan.

Through this difficult, but ultimately temporary disruption, that plan is designed to help you achieve your personal long-term financial goals. Meanwhile, shares of some of the most-profitable, well-run companies in the world are now trading at substantial discounts to levels at the beginning of the year, and history has shown us that over the longer term, these tumultuous episodes can create fantastic investment opportunities.

Past performance is not indicative of future results, but history has shown that a long-term approach combined with a well-designed and well-executed investment strategy can overcome periods of heightened volatility, market corrections, and even bear markets.

We understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first quarter is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to remain patient, and stick to the plan. We've worked with you to establish a personal allocation target based on your financial position, risk tolerance, and investment timeline. Therefore, we aim to take a diversified and disciplined approach with a clear focus on longer-term goals.

We understand that volatile markets are both unnerving and stressful, and we thank you for your ongoing confidence and trust. Rest assured that our entire team will remain dedicated to helping you successfully navigate this difficult market environment.

Finally, above all else, please be careful and stay healthy.

Enclosure #1 – Our first enclosure is the Investment Strategy Quarterly piece from Raymond James. This provides a quick understanding of relevant themes in the investment world.

Additionally it provides an economic snapshot as well as a tactical outlook. We like to include this in the Weiss Report as a handy two-page reference – even in moments like this.

Enclosure #2 – Our second enclosure is a discussion on what the shutdown of the economy may mean. Brian Wesbury, from First Trust Advisors, provides a look at some statistical points and weighs in with his thoughts on what the economy may look like after this.

Enclosure #3 – Our last enclosure is a new writing from our team member Lenny Weiss. He uses the classic film "It's A Wonderful Life" to describe current market conditions and perhaps provide a calming, alternative voice to what is going across major network airwaves.

First Trust
Monday Morning **OUTLOOK**

Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – *Dep. Chief Economist*
Strider Elass – *Senior Economist*
Andrew Opdyke, CFA – *Economist*
Bryce Gill – *Economist*

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Do the Least Harm

Doctors think differently than economists. They put patients with a potential for brain damage in an artificial coma to stop swelling, and when it stops, they bring them out. This fits with the Hippocratic Oath all doctors take, which states "First, do no harm." The idea is to "limit" damage and then "restart" a more normal body with fewer problems.

The economy doesn't work that way. You can't just "turn it off" and then "restart it" as if nothing happened. When you turn off an economy you create permanent damage. While this is impossible to prove – there is no precedent in history from which to judge - it is easy to surmise.

We have all heard news stories about small business owners (or know them ourselves) who have been moved to close their businesses for good. They will never re-open. Some studies say the median small business has enough cash to last less than a month. That's the median. And there are 30 million small businesses.

Shutdowns of restaurants and bars started in mid-March, and now cover most of the United States. These shutdowns spread to "non-essential" (as deemed by government) businesses over the past month. It is now April. In other words, many of those 30 million small companies are already in serious trouble. Many will be forced to close their doors for good before this is all over.

Simply put, shutting down the economy has serious consequences. If the economy were to reopen by Easter, which seems impossible now, it would probably open with, at most, 97% of its original capacity. It's like a muscle, without use it atrophies. And when it does, it needs physical therapy to recover. The longer it's sedentary, the worse the atrophy, the more difficult (and painful) the recovery.

If we wait until the end of April, it will be, say, 92%. The end of May and it's 85%. The end of June and it's even less. These are just guesstimates, we know that, but it's what we think is the right framework to look at things. The longer the shutdown lasts, the more permanent damage to the economy. Capacity would eventually come back, but it would take time, perhaps years. Businesses that had just the right mix of managers, workers, and suppliers, can't just magically re-create that mix by snapping their fingers when this is done. The US economy is not Sleeping Beauty, ready to wake up at first kiss by the government.

During the Great Depression, the suicide rate in the US hit the highest level in history. Recessions are traumatic, both physically and emotionally. Anxiety and depression multiply the problems of being jobless. The consequences are very real, though often hard to track.

The faster the economy opens again, the less the long-term damage. But this would mean government has to do a cost-benefit analysis of economic damage as well as the health costs of Coronavirus. So far, that's not happened. It's time government set up a Coronavirus Economic Task Force.

It's true that $2 trillion in government bailout money, and trillions more from the Fed, will blunt the damage. But it won't stop the atrophy. It just slows it down. More importantly, it significantly grows the power of government. It also boosts demand for goods, while the shutdowns artificially hold back supply, which causes inflation because demand exceeds supply.

One thing to remember is that even leaving parts of the economy open – grocery and drug stores, gas stations, restaurants for take-out, etc. – risks spreading the virus. So, by choice, we are already taking risk. Let's expand that risk assessment and take into account all the risks, including the economic ones.

Things need to change. Why can't landscapers work? Construction crews in many states are still working. Why can't factories or machine shops that normally produce 8 hours a day, go to 24-hour production schedules – three, 8-hour shifts with fewer employees? If I can pick up food, why can't I eat somewhere 6 feet away from others? There have to be a million ideas. Let's start thinking about them, because the costs of the shutdown must be balanced with the benefits. It may not be possible to "do no harm" in the response to this pandemic, but we can at least try to "do the least harm."

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-7 / 2:00 pm	Consumer Credit– Feb	$14.0 Bil	**$14.0 Bil**		$12 Bil
4-9 / 7:30 am	Initial Claims – Apr 4	5.000 Mil	**5.000 Mil**		6.648 Mil
7:30 am	PPI – Mar	-0.4%	**-0.3%**		-0.6%
7:30 am	"Core" PPI – Mar	0.0%	**0.0%**		-0.3%
9:00 am	U. Mich Consumer Sentiment- Apr	75.0	**85.0**		89.1
4-10 / 7:30 am	CPI – Mar	-0.3%	**-0.3%**		+0.1%
7:30 am	"Core" CPI – Mar	+0.1%	**+0.1%**		+0.2%

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

APRIL 2020

THEMES

COVID-19 360°

The novel coronavirus (COVID-19) pandemic and the measures taken to contain it threaten the global economy and financial markets. Its spread in the US has had a sharp, negative impact on the outlook for domestic growth and jobs. Government stimulus efforts will not prevent the economy from weakening, but they should limit the damage and help with the eventual recovery. In the wake of the pandemic, stocks have declined dramatically, triggering a bear market. Separately, an oil price war between Saudi Arabia and Russia has compounded the magnitude of the selloff throughout financial markets. However, these developments should present long-term investors with opportunities. Nevertheless, much will depend on the trajectory of the pandemic and the success of the efforts taken to contain it.

Return Expectations

In order to make informed decisions when allocating assets, investors need to have a general idea of how each asset is expected to perform over a given time period. Investors should expect to see both bonds and stocks return relatively less over the next several years compared to the past 10 years due to lower yield levels, starting valuations, and economic conditions.

US Presidential Race

A whirlwind Democratic primary appears to be nearing its conclusion with Vice President Biden emerging as the presumptive nominee. The medical, economic, and market outcome of COVID-19 will be a significant factor in the 2020 election. Should economic and health conditions continue to deteriorate, we expect a rise in expectations that Joe Biden captures the White House and a rise in the probability of an all-Democratic government.

For more information, refer to the full Investment Strategy Quarterly.

Economic Snapshot

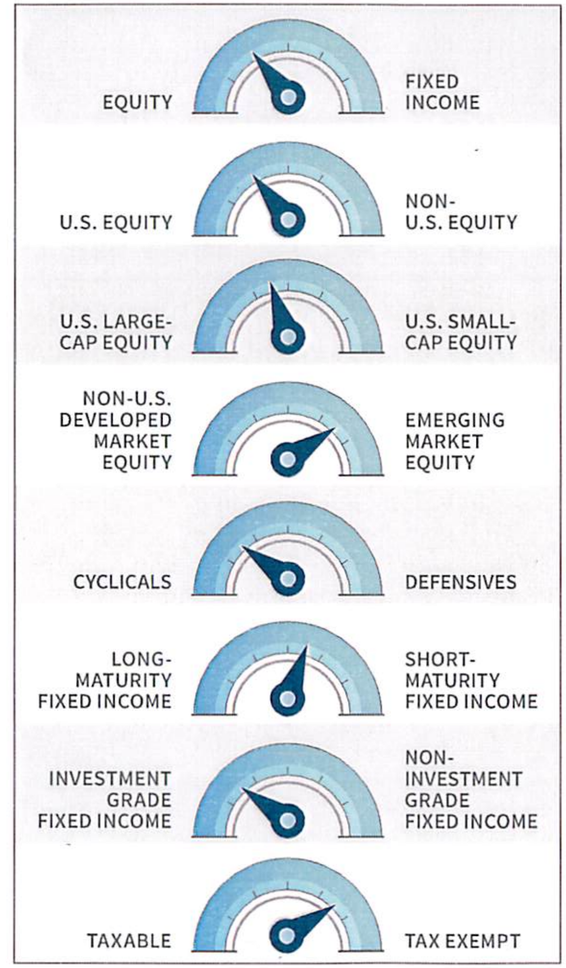
Economic Indicator

FAVORABLE	THE DOLLAR
	MONETARY POLICY
NEUTRAL	INFLATION
	LONG-TERM INTEREST RATES
	FISCAL POLICY
UNFAVORABLE	GROWTH
	EMPLOYMENT
	CONSUMER SPENDING
	BUSINESS INVESTMENT
	MANUFACTURING
	HOUSING AND CONSTRUCTION
	REST OF THE WORLD

From Scott Brown, Ph.D.,
Chief Economist, Raymond James

Tactical Outlook

(3-9 months)



The tactical asset allocation outlook above reflects the Raymond James Investment Strategy Committee's recommendations for current positioning. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

APRIL 2020

Capital Markets Snapshot

EQUITY	AS OF 3/31/2020*	1Q 2020 RETURN**	12-MONTH RETURN**
DOW JONES INDUSTRIAL AVERAGE	21,917.16	-23.20%	-15.47%
S&P 500 INDEX	2,584.59	-19.60%	-6.98%
NASDAQ COMPOSITE INDEX	7,700.10	-14.18%	-0.38%
MSCI EAFE INDEX	1,559.59	-22.72%	-13.92%
RATES	**AS OF 3/31/2020***	**AS OF 12/31/2019****	**AS OF 3/31/2019****
FED FUNDS TARGET RANGE	0-0.25	1.50-1.75	2.25-2.50
3-MONTH LIBOR	1.45	1.91	2.59
2-YEAR TREASURY	0.23	1.58	2.33
10-YEAR TREASURY	0.70	1.92	2.49
30-YEAR MORTGAGE	3.50	3.74	4.06
PRIME RATE	3.25	4.75	5.50
COMMODITIES	**AS OF 3/31/2020***	**1Q 2020 RETURN****	**12-MONTH RETURN****
GOLD	$1,583.40	4.83%	22.96%
CRUDE OIL	$20.48	-66.46%	-65.95%

*Price Level
**Total Return

Sector Snapshot

	SECTOR	S&P WEIGHT
OVERWEIGHT	INFORMATION TECHNOLOGY	24.4%
	HEALTH CARE	14.0%
	FINANCIALS	12.2%
	COMMUNICATION SERVICES	10.7%
EQUAL WEIGHT	INDUSTRIALS	8.9%
	CONSUMER STAPLES	7.2%
	CONSUMER DISCRETIONARY	9.9%
UNDERWEIGHT	ENERGY	3.6%
	REAL ESTATE	3.1%
	UTILITIES	3.5%
	MATERIALS	2.5%

The Weiss Report
Volume 23, Number 2
Enclosure #3

It's A Wonderful Life Revisited

By: Leonard Weiss

We know it's not Christmas, but there may be a valuable lesson to learn from Frank Capra's "It's a Wonderful Life" made in 1946. I think the film that applies to today.

There came a point where a run on the Bailey Building and Loan had the public rushing to the bank to get their assets on deposit. Since their funds were tied to the ownership of the community's housing stock, there was not enough cash for everyone on that day. Some people in panic went to Mr. Potter to sell their bank shares for $.50 on the dollar.

My point here, is that only Mr. Potter was buying. And in this context, it appears again that public panic is making people like Mr. Potter the benefactor of the panic.

This scenario came to mind when I read the comments of a market veteran, Leon Tuey. He recently said "to the doubters the panic stricken and nervous Nellies, who have sold indiscriminately, why are value investors such as Carl Icahn, Seth Karman, and Warren Buffet buying? If the world is coming to an end, why would these men be buyers?"

Maybe these deep value players see the situation differently. Perhaps they see the market's valuation at these levels very attractive. In a recent article in Barron's, an analyst at Bernstein Research said, "The average peak to trough fall in the Standard and Poor's 500 Stock Index (S/P 500) in operating earnings has been 26% over the largest declines since 1980. Assuming a similar impact would put the current S/P 500 forward PE at 17.8, which is the average level over the last 5 years."

At this point, we can see a path that after weeks of panic selling, the market's valuation is not overheated, and by historical PE comparison is at an attractive buying point.

In April 8th edition of the WSJ, the author of "A Random Walk Down Wall Street" Burton Malkiel sums up our view: A reason investors may want to begin taking a more constructive view of the stock market is that alternative investments aren't offering attractive yields at the moment. Yield on the safest bonds in the US are near zero."

On recovery, Vern Smith, winner of the Nobel Prize in economics, wrote in the WSJ on April 5th, "Businesses lost in a long quarantine will tend to be small and young, as were those that are gained. Today larger firms were in many cases small firms in the 1990s. They found ways to serve their customers and escape bankruptcy after the "Dot.Com" bust. They matured"

In summary: Market panics are never any fun. They stoke the innate fears inside all of us. But the lesson of It's a Wonderful Life is clear. When Mr. Potter is the only buyer, the markets just might be at their bottom. Let's hope so in 2020.