

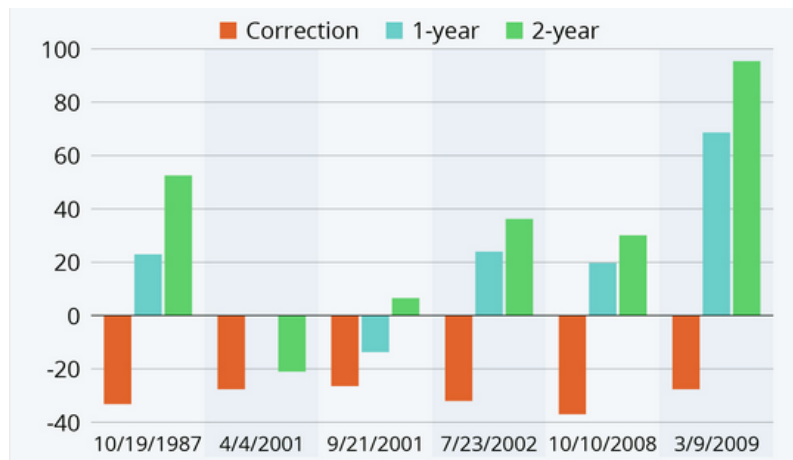
## Update: Coronavirus and the Markets - What We're Watching

While the global health crisis and increasing clampdown on public activity make it difficult to forecast the length and magnitude of this correction, this week's market gains after Monday's low, shows small signs of easing. A record 3.28 million workers applied for unemployment benefits last week, marking an abrupt end to the nation's historic, decade-long job growth run. The number of Americans filing for claims was nearly five times the previous record high and it could continue to rise. The stimulus package passed today however, expects to send relief to those in need.

Time remains our biggest question – how long will it take until we see COVID-19 cases subside? How long will it take the world to recover once the virus has been contained? Until we have more defined answers to these questions and the markets start to stabilize will we be able to effectively price in a recovery. Fortunately, the Fed is providing everything it has to ease the problem and maintain strength in our economy. Between the Treasury and the Fed, estimates of monetary/fiscal policy response totals \$4 trillion, which hopefully will be the magic number to help us survive and recover from this pandemic.

### Stocks Generally Recover After Corrections

Select S&P Index corrections and their relative returns after two year (in %)



Source: FactSet, LPL Research, Ned Davis Research

## Trump to Sign \$2 trillion Stimulus Package

With the unprecedented \$2 trillion stimulus package being passed today, we anticipate seeing a more positive reaction in the markets in light of it providing significant aid for unemployed individuals, small businesses, and industries that have been affected by the crisis, strengthened unemployment insurance, and increased health-care funding. A few areas that we have been watching that may help you are some special rules for use of retirement funds. Provisions raise the limits on 401(k) loans and loosen hardship distributions. The provision waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. Hardship withdrawals will still be taxable, but taxes due can be paid over three years rather than one year. Additionally, investors can put money back into these accounts within three years and avoid paying taxes. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief (specific qualifications apply for coronavirus-related distributions). Finally, the provision waives for one year, required minimum distributions (RMD) for calendar year 2020 from 401(k)s and IRAs to give retirement accounts the opportunity to possibly recover as markets stabilize.<sup>1</sup> These might be items to consider for those in need of funds. Clients are always advised to confirm such changes with their tax experts, and we are also available to discuss further.

Over recent weeks we've consistently noted the need to be disciplined and remove emotion when it comes to making investment decisions. This week's change in tone reaffirmed that discipline. It would have been hard, last Friday, to predict or properly time this week's action. Our team continues to work analyzing opportunities and risks. We have gone through a triage on our investments to ensure they have the financial staying power to get through this economic downdraft and maintain their dividends. We are beginning to look at companies that may be negatively impacted by potential government spending constraints in the future so we are properly prepared. We remain constructive on the outlook, but expect continued volatility as more is uncovered about COVID-19 and the government's response. We remain, however, committed to our disciplined approach to staying the course and will continue to do what is best for our client's long-term financial future.

In the days ahead, we will continue to share our insights, perspective, and actions we can take to continue to serve you. Thank you again for being a valued client. Please feel free to contact your Relationship Manager with any questions, and most importantly stay safe and healthy.

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<sup>1</sup> Source WSJ 3.27.2020