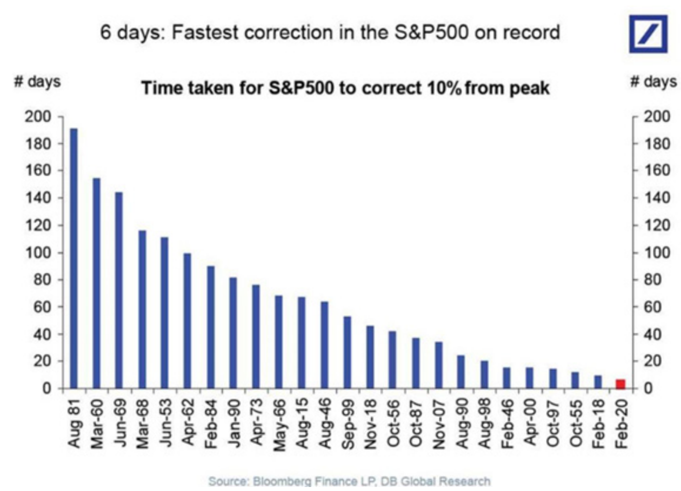
GBA Financial

Newsletter
March 2020

COMMENTARY

The stock market has taken us for a rollercoaster ride over the last couple of weeks. Each day swinging higher and lower than the last, leaving us wondering when this will calm down. The continued worldwide spread of Coronavirus has led to market sell offs, as worry over global economic impact and decreased corporate profits. It seems each attempted rally is stamped out by reports of the virus reaching new parts of the world.

We've seen travel plans canceled by travelers, quarantined cruise ships, and travel restrictions issued by governments across the globe. Obviously, this has significantly impacted hospitality and travel industries in a negative way. Another hard-hit industry is energy. Reduced travel and Saudi Arabia's efforts to regain global market share by lowering prices and increasing production has caused oil prices to plunge. There is decent probability that the Fed will cut rates during their scheduled March 17-18 meeting. As we know, the markets tend to like predictability and consistency, neither of we are experiencing much of lately.



Not the outcome anyone wants to see, but the S&P 500 index dropped over 10% in six days making it the fastest correction on record. The market is oversold based on the momentum indicators we look at and we would except to see some buyers step in at these levels. With that said, we can't say this is the bottom and expect more volatility in March as it seems more likely that the Coronavirus will start to spread in the United States.

ECONOMIC HIGHLIGHTS

S&P 500	2,954.22
DIJA	25,409.36
NASDAQ	8,567.37
OIL	$44.76/BARREL
GOLD	$1,566.70/OUNCE
10-YEAR TREASURY FIELD	1.13%
UNEMPLOYMENT	3.50%
GDP	2.10% Q4
CONSUMER PRICE INDEX (CPI)	0.1% (12 MO CHANGE +2.5%)
CORE CPI	0.2% (12 MO CHANGE +2.3%)

U.S. companies continued to hire at a pace faster-than-expected. February's job report shows 273,000 jobs added. The labor market data will be closely monitored in the coming months, as investors and economists watch for any coronavirus related cracks to form.

Similar to the first estimate, the second fourth-quarter 2019 GDP estimate came in at 2.1 percent.

China's PMI steeply fell to 35.7, indicating a significant decline in manufacturing activities. In fact, the reading of 35.7 is a record low for an indicator that has been around since 2004.

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Our long-term view (multiple years) of equity markets remains bullish despite the recent market correction. The market is still in the middle part of a secular bull market, with the previous two secular bull markets lasting 17 years. Inside of a long-term secular bull market, a bear market and a recession are expected. Until recently we did not forecast a recession in 2020 and still believe the economy will avoid a recession this year, but with the unknown of the Coronavirus impact to the economy we may need to adjust our views as more data comes in. Our 2020 year-end S&P 500 target is set at 3900 and that is looking unattainable for 2020. Global equity markets have lagged the U.S. markets since the Great Financial Crisis, but we believe well-diversified portfolios benefit investors over the long-term.

From a valuation's perspective, international equities still look attractive relative to U.S. equities. In Fixed Income, we have shifted to a more core/investment grade allocation and reduce the below investment grade exposure. This more conservative bond position has help protect capital during this market correction. Our research team is constantly evaluating our products and tactical positions inside both the fixed income portfolio and equity portfolio by looking at both larger trends and short-term opportunities. With the daily monitoring of individual accounts, we continue to rebalance accounts when they fall too far from their equity-to-fixed income ratio.

MARKET TRACKER

INDEX	3 MO	1 YR	3 YR	5 YR
S&P 500	-5.50%	8.19%	9.87%	9.23%
MSCI EAFE	-8.05%	-10.94%	3.92%	1.96%
BAR AGG BOND	3.69%	11.68%	5.01%	3.58%

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

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