LAKEVIEW CAPITAL PARTNERS – April 27, 2020

LAST WEEK IN REVIEW

Most of the major indexes fell as investors reacted to first-quarter earnings reports and oil prices' unprecedented plunge into negative territory. Investors may have also sought to consolidate recent gains—the Dow Jones Industrial Average had recorded its best two-week return (15%) since 1938 over the period ended April 17. Ironically, energy stocks outperformed within the S&P 500 Index after a sharp rally on Thursday, while consumer staples, financials, and utility shares fared worst. The small-cap Russell 2000 Index outperformed and recorded a small gain.

The turmoil in energy futures seemed to weigh heavily on overall sentiment early in the week. On Monday, the May futures contract for West Texas Intermediate crude oil, due to expire Tuesday, closed at -$37.63 per barrel—meaning that buyers were getting paid to take and store each barrel. Traders noted that there were many rumored reasons for the move into negative territory, including technical trading issues. Still, the plunge in energy demand and what it implied for the global economy seemed to worry investors the most. Oil futures moved back into positive territory on Tuesday. Still, the major stock indexes continued to decline as weakness spread to technology-related shares, with Wall Street analysts cutting estimates on both Alphabet (parent company of Google) and Facebook.

Stocks regained moderate momentum at midweek, helped by some positive earnings surprises, and hopes for additional fiscal stimulus. On Thursday, the House of Representatives overwhelmingly passed a $484 billion spending bill to replenish a new but swiftly depleted program providing loans to small businesses, as well as to give more funding for coronavirus testing and hospitals. The bill had previously been passed by a voice vote in the Senate on Tuesday and was signed into law by President Donald Trump midday Friday.

News of progress on the fight against the coronavirus was mixed but appeared to play a continuing role in driving sentiment. An early Thursday rally seemed to unwind after a report that remdesivir, Gilead Sciences' potential treatment for COVID-19, the disease caused by the coronavirus, had failed in an early clinical trial in China. After the close of trading, Gilead disputed the report, stating that the testing was inconclusive given its early termination due to a lack of participants. Markets had rallied the previous Friday sharply following leaked reports of remdesivir's apparent early success in a US trial.

Investors also seemed to look forward with a mixture of worry and anticipation to the partial end of lockdowns in some states, with Georgia poised to lead the nation in reopening a range of businesses on Friday. While he had earlier urged governors to ease restrictions, President Trump echoed the views of many medical experts in stating at his daily press conference that Georgia could be acting too soon.

US - MARKETS & ECONOMY

The week's economic data confirmed a sharp slowdown but may have also provided some support to markets later in the week. On Tuesday, the National Association of Realtors reported that existing home sales fell to their lowest level in a year in March, before the full onslaught of the coronavirus crisis and stay-at-home orders. On Thursday, the Labor Department reported that another 4.4 million Americans filed jobless claims in the week ended April 18, bringing the five-week total to more than 26 million. Still, many appeared to take comfort that the number of claims marked the third consecutive week of declines. Manufacturing data were widely mixed. Gauges of current activity fell sharply, but many were surprised by a small increase in core (excluding aircraft and defense) capital goods orders in March.

US STOCKS

Index	Friday's Close	Week's Change	% Change YTD
DJIA	23,775.27	-467.22	-16.69%
S&P 500	2836.74	-37.82	-12.20%
Nasdaq Composite	8634.52	-15.62	-3.77%
S&P MidCap 400	1550.37	-11.06	-24.85%
Russell 2000	1233.05	3.95	-26.10%

SOURCE: BLOOMBERG. THIS CHART IS FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT REPRESENT THE PERFORMANCE OF ANY SPECIFIC SECURITY. ***PAST PERFORMANCE CANNOT GUARANTEE FUTURE RESULTS.***

US YIELDS & BONDS

The mixed data appeared to have little impact on longer-term Treasury yields, which ended modestly lower for the week. The broad municipal market generated negative returns over much of the week as credit concerns deepened. Senate Majority Leader Mitch McConnell stated that Senate Republicans would be unwilling to bail out underfunded state pension systems and expressed that he would instead favor allowing states to file bankruptcy. That’s like a sommelier at a restaurant saying, "I would go with the latest vintage of that wine, say 2020." Not the smartest thing Senator McConnell has ever said, but probably not the worst either.

Sentiment in the investment-grade corporate bond market worsened as oil futures fell into negative territory. The market partially retraced its losses due to some improvement in economic signals later in the week, however, and the volume of new deals was in line with expectations.

Meanwhile, high yield bonds sold off as many investors focused on turmoil in the oil market, and the energy segment significantly underperformed. Energy-related issuers have a relatively large weight in high yield indexes. Despite the less supportive backdrop, the market saw robust issuance during the week, which was met with adequate demand. The number of below-investment-grade companies that have either filed for bankruptcy or missed interest payments in April reached the highest level in 11 years, however.

YIELD CHECK - US TREASURY MARKETS

3 Mth: + 1 bps to 0.10%
2-yr: + 2 bps to 0.22%
5-yr: + 1 bps to 0.37%
10-yr: - 4 bps to 0.60%
30-yr: - 9 bps to 1.17%

SOURCE: BLOOMBERG. YIELDS ARE FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT REPRESENT THE PERFORMANCE OF ANY SPECIFIC SECURITY. ***PAST PERFORMANCE CANNOT GUARANTEE FUTURE RESULTS.***

INTERESTING NEWS OVERSEAS

Equities in Europe weakened on continuing divisions over a fiscal response to the economic shock caused by the coronavirus. Disappointment with the failure of a coronavirus drug trial in China and a historic crash in oil prices put pressure on their markets. The pan-European STOXX Europe 600 Index ended the week 0.81% lower, Germany's Xetra DAX Index fell 2.07%, and France's CAC 40 slipped 2.01%. Italy's FTSE MIB Index slipped 0.70%, while the UK's FTSE 100 Index was little changed.

European Union leaders signed off on a €480 billion emergency rescue package and agreed on the need for a "recovery fund" to offset the economic shock caused by the coronavirus pandemic. However, they remained divided over the size of such a fund and whether it would hand out grants or loans, dashing hopes of a near-term fiscal response to the crisis. European Commission President Ursula von der Leyen said after the meeting, "We are not talking about billion[s], we are talking about trillion[s]." The fund would be part of the 2021–2027 budget, or the multiannual financial framework (MFF), which Brussels will need to adjust. The *Financial Times* noted that reconfiguring the MFF to include the recovery fund is likely to prove politically difficult because of divisions between northern and southern states over the form that aid should take. Angela Merkel, Germany's chancellor, told the leaders that her country was prepared to make a substantial contribution to support an economic recovery.

In China, the Shanghai Composite and CSI 300 large-cap equity indices tracked each other closely in an uneventful week. Both indices closed higher on Monday before easing gently to finish down 1.1% week on week.

China's industrial sector has mostly completed its process of normalization, according to the National Bureau of Statistics, which reported that over 97% of larger industrial enterprises were operational as of April 9. Over half were operating above 80% of their average level, with more than 80% of enterprises operating above 50%. There was some concern among investors after the State Council's financial stability oversight committee met twice in 10 days to discuss investor protection. This caused some speculation that regulators had uncovered some problems, such as listed Chinese firms hiding coronavirus-related losses.

Investors were encouraged; however, after China's central bank, the People's Bank of China (PBoC) cut the key loan prime rate (LPR) for banks by 20 basis points to 3.85%, causing the bond market to rally. A cut was widely expected after the PBoC lowered a key interbank rate in the previous week. The five-year LPR, a critical reference for residential mortgage rates, was reduced by ten basis points to 4.65%. China has been slow to lower the cost of bank credit during the crisis. It last reduced LPR by ten basis points in February as part of an earlier effort to counter the negative economic impact of the coronavirus outbreak.

Stocks in Mexico, as measured by the IPC Index, returned about -0.5%. Mexican bonds and the peso were also under pressure during the week.

On Tuesday, Mexico's central bank surprised the market with an unscheduled 50-basis-point cut to its policy rate, from 6.5% to 6.0%. It also introduced several new measures to strengthen credit channels, improve financial system liquidity, and foster orderly markets. In the statement accompanying its decision, central bank officials highlighted a highly negative growth outlook as the primary reason for the move. Though the backdrop for inflation is still uncertain, the most likely scenario is for it to converge to the 3% target, they said.

Lastly, there are rumors that North Korea's fearless leader Kim Jong-un is either in a coma or has passed away. This news is a shock to the country and me because the last photos of him (see next page) he looked incredibly healthy.

Source: Pinterest (note: this is not an actual picture of Kim Jong-un, the image is an attempt at humor)

THE WEEK AHEAD

In the US, Federal Reserve policymakers are seen holding interest rates at current levels when they meet on Wednesday. All eyes are on Fed Chair Jerome Powell's press conference and the latest FOMC economic projections for further details about future policy steps. In March, officials lowered the target range for its federal funds' rate by 150bps to 0-0.25 percent and launched a massive quantitative easing program in an attempt to support the economy amid the coronavirus outbreak. Meanwhile, the Bureau of Economic Analysis' GDP figures will probably show the US economy contracted 4 percent during the first quarter, amid efforts to contain the rapid spread of the pandemic. Other notable publications include personal income and outlays; PCE price index; ISM Manufacturing PMI; construction spending; first-quarter employment cost index; CB consumer confidence; pending home sales; Case-Shiller home prices; Dallas Fed Manufacturing Index; Chicago PMI; and the advance estimates of goods trade balance and wholesale inventories.

Investors will also be closely monitoring the busiest week of the earnings season, with focus turning to reports from big firms including Alphabet, Microsoft, Apple, Amazon, Facebook, Spotify, Twitter, Qualcomm, Pfizer, Merck, Tesla, Ford, Boeing, Pepsi, Starbucks, McDonald's and Caterpillar. Top US oil producers Exxon Mobil and Chevron will also report first-quarter financial results.

Please stay safe and be well. Call us at LCP if you have any questions.

Stephen Colavito, Jr.
Managing Director
Chief Market Strategist

Lakeview Capital Partners, LLC
1201 Peachtree Street NE
Suite 1850
Atlanta, GA 30361

(404) 418-7776 (office)
(404) 313-1388 (mobile)

Past performance is not indicative of future results. Lakeview is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. Securities offered through SA Stone Wealth Management, Inc, member FINRA and SIPC. Advisory services provided through Lakeview Capital Partners, LLC ("LCP"). LCP is not affiliated with SA Stone Wealth Management. More information about the firm can be found in its Form ADV Part 2, which is available upon request by calling 404-841-2224 or by e-mailing info@lcpwealth.com