GBA Financial

financial planning for retirement

Newsletter

April 2020

COMMENTARY

First off, we hope you are staying safe and healthy as we get through these unprecedented times caused by the global outbreak of COVID-19. We won't spend much time specifically on COVID-19, as our knowledge lies in the financial world and anything we write here will likely be out of date before you read this. Just know, we are here to help and support you in any way we can.

The market selloff that started in late February broke records. The market selloff that started in late February was also quick and extreme unlike many others seen in history. Daily volatility was at extreme levels with daily market swings of 5 percent or more. Volume was double the 200-day moving average as panic sellers were racing towards the exit (Source: StockCharts.com, chart included). On March 23rd, the S&P 500 traded down to 2191.86 intraday, and as of now, set a low for the market. Since that low, we have seen the market rally up after governments and central banks around the world provided fiscal and monetary easing to help cushion the blow the economy is suffering due to "stay-at-home" orders. We believe we are in a recession right now and governments and central banks should use any means necessary to help the economy until we get through these historic times. The two big financial questions on the minds of many are: 1) Is the low on March 23rd the ultimate low or are we going to see more selling? 2) What are we doing with clients' accounts? Let's tackle each of those questions next.

ECONOMIC HIGHLIGHTS

S&P 500	2,584.59
DIJA	21,917.16
NASDAQ	7,700.00
OIL	$20.48/BARREL
GOLD	$1,596.60/OUNCE
10-YEAR TREASURY FIELD	0.70%
UNEMPLOYMENT	3.50%
GDP	2.10% Q4
CONSUMER PRICE INDEX (CPI)	0.1% (12 MO CHANGE +2.3%)
CORE CPI	0.2% (12 MO CHANGE +2.3%)

President Trump signed a $2 Trillion stimulus after Congress passed it on March 27th, providing support and relief to businesses and workers.

Businesses around the country have shut their doors, hopefully temporarily, in order to promote social distancing in the hope of slowing the spread of COVID-19

The number of COVID-19 cases in the United States and around the world continues to rise at this point. The final impact of the loss of economic strength and the loss of life will not be fully known for some time.

Is March 23rd the ultimate low? What I wouldn't give to have our crystal ball out of the repair shop right now. Could we see a 'V' shape recovery like we saw in December of 2018? Absolutely. But we think the weight of the evidence suggests we're more likely to see a retest of the March 23rd lows before the market is ready to start heading back upward and create a 'W' shape recovery. Market breadth (which looks at the number of stocks moving up and down) is still weak and will need to strengthen before we can start the next bull market. We are also going to continue to see more cases of COVID-19 around the country and world over the next few weeks, which could cause headline selling. There is a growing number of investors who are waiting for the peak in the number of confirmed COVID-19 cases before re-entering the market. When that happens, we expect to see an increased number of buyers come off the sidelines. The bottoming processes has started, and we are waiting to see a few more indicators to confirm that the bottom is finally in.

What are we doing? We use a disciplined rebalancing process that takes emotion out of the equation. When an account starts to fall out of its equity-to-fixed income ratio, we examine the account and place trades to bring it back into proper alignment. This is a core principle of our investment process that helps achieve long-term financial goals. We are selling fixed income that has held up well and buying equities that are now underweight due to recent market movement. From a tactical perspective, we are looking to add high yield fixed income back into the portfolio. As a refresher, we exited high yield about 12-18 months ago as the risk/reward didn't seem attractive when spreads (the amount of interest you will received over that of a treasury bond) was around 3.5-4.0%. With the impact from COVID-19 and crude oil prices falling through the floor, the risk/reward is now much more attractive with spread levels on any given day at 8.0-10.5%. The high yield trade isn't a short-term play and something we would expect to have in the portfolio for the next 3-5 years, depending on the spread and risk/reward. Active management is key in the high yield space to avoid companies that have weak balance sheets. We also don't expect this to be a smooth ride for the first few months, but the long-term benefits should outweigh the short-term bumps. Whatever actions we take in the next few months, will determine how accounts perform in the next 1, 3, and 5 years. When things seem the worst, those are usually the times to buy, and to quote Warren Buffett "The stock market is a device for transferring money from the impatient to the patient".

MARKET TRACKER

INDEX	3 MO	1 YR	3 YR	5 YR
S&P 500	-19.60%	-6.98%	5.10%	6.73%
MSCI EAFE	-22.83%	-14.38%	-1.82%	-0.62%
BAR AGG BOND	3.15%	8.93%	4.82%	3.36%

JEN@GBAFINANCIAL.COM
217.498.8575 | 855.778.8883
FAX: 217.498.9299

GBA Financial
financial planning for retirement

Rochester Station
203 South Walnut / PO Box 528
Rochester, IL 62563

This is not an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment-making decision.

Opinions expressed are not intended as specific investment advice or to predict future performance. This information is not intended as investment or tax advice.

Registered Representative offering securities and advisory services through Cetera Advisor Networks LLC, member FINRA/SIPC, a Broker-Dealer and a Registered Investment Advisor. Cetera is under separate ownership from any other named entity.

Opinions expressed are not intended as specific investment advice or to predict future performance. Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards, all of which are
magnified in emerging markets. Past performance is not indicative of future results. The stocks of small companies are more volatile than the stocks of larger, more established companies.

The views stated in this newsletter are not necessarily the opinion of Cetera Advisor Networks LLC and should not be construed directly or indirectly as an offer to buy or sell any securities mentioned herein. Due to volatility within the markets mentioned, opinions are subject to change with notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Past performance does not guarantee future results.

This newsletter is created by Portfolio Partners. Portfolio Partners provides investment research, portfolio and model management, and investment advisor services to investment advisor representatives. Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

jen@gbafinancial.com
217.498.8575 | 855.778.8883
Fax: 217.498.9299

Rochester Station
203 South Walnut / PO Box 528
Rochester, IL 62563