CETERA® INVESTMENT MANAGEMENT

COMMENTARY

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Fed Meets Early, Cut Rates to Zero

- Fed cuts rates to zero and unveils package to boost bond liquidity.
- Monetary policy alone is not enough. Fiscal policy is needed.
- During turbulent times, it's important to stay diversified and keep in touch with your financial professional to help keep you on track.

The Federal Reserve met early over the weekend in lieu of their meetings scheduled for later this week. As expected, they decided to slash short-term interest rates by 1.00% to a 0.00%-0.25% target range. In addition, they announced a package to boost liquidity in bond markets. Their previous actions that they took to increase liquidity did not work as well as they had hoped, so they promised to buy $700 billion in Treasury Securities and Mortgage Backed Securities in a new package.

With the interest rate cut widely expected, these Fed actions did not sway investors and markets are continuing to sell off. In what appeared to be a hastily put together post-meeting teleconference, the Federal Reserve Chairman, Jerome Powell, alluded that the Fed's monetary policy would not prevent a recession. What is really needed in this situation is fiscal policy. Congress will need to provide stimulus directly to the people impacted by COVID-19. Hourly workers will not be getting paid and restaurants, airlines, hotels, and cruise lines will likely see revenues decline sharply in the coming quarters.

We will be watching Congress closely for measures being passed that will help those impacted the most by the virus. The quicker they can act, the better for the economy. However, this may not be enough to avoid a recession in the near future. Keep in mind a recession is defined by two quarters of negative GDP and markets have fallen as equity investors attempt to price in a recession already. We will be watching the spread of the virus very carefully because the faster it is contained, the faster the economy should recover. This will be very important along with fiscal policy measures enacted by Congress.

These are challenging times for investors. Having a trusted financial professional on your side can make the difference and keep you on track. Losing sight of your long-term risk and return objectives can cost investors greatly as markets can rebound quickly. No one has a crystal ball to predict market bottoms or market tops, so diversification and risk control are ways to stay invested. Please consult your financial professional for guidance in these uncertain and turbulent market times.

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A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **S&P 500 is an index** of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **Dow Jones Industrial Average** is a price-weighted average of 30 U.S. blue-chip stocks traded on the New York Stock Exchange and NASDAQ. The index covers all industries except transportation, real estate and utilities.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index includes over 2,500 companies, spanning all 11 sector groups.