

2020 will forever be remembered as the year of the pandemic. As investors continue to grapple with the new “normal” we take a look back at the unprecedented investment market reactions to COVID-19.

January: The U.S. economy was on solid footing entering 2020. President Trump signed a “phase one” trade agreement with China as the world’s two biggest economies tried to rein in a more than 18-month trade war. The unemployment rate was at a 50-year low and The Conference Board Consumer Confidence Index came in at 131.6¹, its highest level in 5-months. Outside of uncertainty surrounding the impending presidential election, the longest bull market in history seemed poised to continue for a 12th consecutive year. However, on January 30th, the Coronavirus was declared a global emergency by the World Health Organization (WHO), as the outbreak continued to spread outside China. COVID-19 cases worldwide totaled 11,996 on January 31st.²

February: On February 19th, the S&P 500 rose to a record high as China’s National Health Commission reported the lowest number of newly confirmed cases since late January.³ On February 24th, stocks fell sharply as cases outside of China surged. The S&P 500 slid 3.35% to 3,225.89.⁴ COVID-19 cases worldwide totaled 88,345 on February 29th.²

March: On March 3rd, fearing the US economy would fall into a recession due to the coronavirus, the Fed pushed through an emergency rate cut for the first time since the 2008 financial crisis. On March 11th, the WHO declared COVID-19 a global pandemic. On March 15th, the Fed pushed through a second emergency rate cut in which it cut interest rates to essentially zero and launched a massive \$700 billion quantitative easing program.⁵ On March 16th, President Trump issued guidelines that called for Americans to avoid social gatherings of more than 10 people and to limit discretionary travel. He acknowledged the economy may be heading into a recession.⁶ On March 27th, the \$2 trillion CARES Act was passed by Congress. The relief package included \$1,200 direct deposits to individuals. Just sixteen trading days after hitting a record high, the S&P 500 entered bear market territory and by March 23rd, the Index was down -33.2% from its all-time high.⁷ In the first quarter of 2020, the S&P 500 had its worst quarter since 2008, with a decline of -19.6%. Over 100 countries worldwide had instituted either a full or partial lockdown by the end of March.⁸ COVID-19 cases worldwide totaled 962,685 on March 31st.²

April: Since its March 23rd bottom, the S&P 500 rallied 30.38% through April 30th.¹ In April, the S&P returned 12.7% for its best monthly gain since January of 1987, on the back of an apparent peaking of cases in Italy and New York State. However, US jobless claims topped 30 million and similarly, The Conference Board Consumer Confidence Index tumbled to a reading of 86.9, the lowest level in nearly six years.⁹ Contrary to the equity market rally, oil prices went negative for the first time in history, as futures contracts for WTI oil fell to a stunning -\$37.63 on April 20th on lack of demand due to Coronavirus. COVID-19 cases worldwide totaled 3,471,600 on April 30th.²

May: We received the April jobs report on May 8th, revealing a record loss of 20.5 million jobs in April and an increase in the unemployment rate to 14.7%.¹ However, some progress was being made in the fight against coronavirus. Moderna announced the fast-track designation awarded by the Food and Drug Administration (FDA) to accelerate the development of an effective COVID-19 vaccine and Pfizer/BioNTech began its first human trials in the United States. On May 15th, Operation Warp Speed, the White House’s task force to develop a COVID-19 vaccine, was formally launched.¹⁰ A total of \$10 billion will be spent in pursuit of a vaccine. The S&P 500 gained +4.76% on the month. COVID-19 cases worldwide totaled 6,499,794 on May 31st.²

June: After rallying more than 6% in the first week of the month on the back of positive vaccine news, stocks suffered their worst one-day sell-off in three months on June 11th, with the S&P 500 falling -5.89%¹ as growing concerns about a second wave of coronavirus cases took hold.¹¹ Although states such as Florida, California and New York started to see record numbers of new cases, slowing the reopening rebound, the S&P 500 still finished the month with a gain of +1.99%. The Federal Reserve started buying corporate bonds as part of a \$250 billion program funded by the CARES Act, which was approved back in March, with the intention to backstop corporations and their employees.¹² COVID-19 cases worldwide totaled 10,903,117 on June 30th.²

July: We received the June jobs report on July 3rd. Nonfarm payrolls had the largest single-month gain in U.S. history, soaring by 4.8 million and the unemployment rate moved to 11.1% as the U.S. continued its reopening from the coronavirus lockdowns. On July 14th, the S&P 500 closed the day in positive territory, completing a miraculous V-shaped recovery of over 43% from the March 23rd market bottom.¹ Moderna and Pfizer/BioNTech both kicked off Phase III trials each with plans to enroll 30,000 volunteers across the United States and various other countries. Still, on July 30th we discovered that the U.S. economy suffered its worst period ever in the second quarter, with GDP falling a historic -31.4%. COVID-19 cases worldwide totaled 18,192,804 on July 31st.²

August: The S&P 500 enjoyed its best August since 1984 as the index returned +7.19% and was at that point on a 5-month winning streak. The Federal Reserve signaled a major shift in its approach to managing inflation to aid the US economy's recovery. The central bank announced they would target an "average" of 2% inflation, rather than making 2% a fixed goal, allowing it greater flexibility in setting monetary policy. This new goal was meant to keep interest rates lower for longer, in an attempt to stimulate growth to help tackle unemployment. COVID-19 cases worldwide totaled 26,240,426 on August 31st.²

September: The impacts of fiscal and monetary stimulus that boosted markets and gave hope that the economy would rebound started to fade as investors realized that the economic recovery would take longer than expected. An impasse in Congress around additional relief raised concerns about the economic recovery. September also brought fears of a tech bubble and continued worries around elevated stock valuations. The five largest stocks in the S&P 500 accounted for more than 20% of the entire index, the highest level in at least 30 years. Alphabet, Amazon, Apple, Facebook, and Microsoft gained around 40% as of the end of September, while the 495 other stocks in the index had collectively lost.¹³ COVID-19 cases worldwide totaled 34,859,972 on September 30th.²

October: Coronavirus cases had been rising sharply in the U.S. as well as in Europe, leading some states and countries to reimpose more restrictive social distancing measures. Elections fears crept into the market with election day only a month away. Worries about a contested election and battles over mail-in ballots unnerved investors. However, the next president is poised to step into a better economic situation as the U.S. economy grew at a faster-than-expected rate in the third quarter following a steep downturn in the previous three-month period. U.S. GDP accelerated at a 33.1% rate for the third quarter. COVID-19 cases worldwide totaled 47,117,567 on October 31st.²

November: Stocks soared as the S&P 500 had its best November in history and the Dow hit 30,000 as it appeared that a vaccine was just around the corner. Pfizer/BioNTech announced that their vaccine was 95% effective while Moderna announced their vaccine was 94.5% effective. Both groups applied for emergency use authorization with the FDA, signaling vaccines could be available to the public before year end. Similarly, the election of Joe Biden, together with the likelihood that the Senate will remain in GOP control, could mean a new era of divided government, which has traditionally been favorable for the market. COVID-19 cases worldwide totaled 64,450,292 on November 30th.²

December: The FDA approved both Pfizer/BioNTech's and Moderna's COVID-19 vaccines for emergency use. The first Covid-19 shots have been given to more than 1.2 million people in four countries.¹⁴ COVID-19 vaccines and more widely available treatments cannot come soon enough as the U.S. seven-day daily case average continued to run at record highs over 216,600 and deaths continued to rise (as of 12/21/2020). Despite the surge in new cases, the S&P 500 has increased almost 65% since its March low and is on track to finish the year up nearly 15%. On December 20th Congress reached a 'bipartisan breakthrough,' and announced a \$900 billion COVID-19 relief deal that includes \$600 direct payments to Americans and \$300 in enhanced unemployment for the next 11 weeks.¹⁵ COVID-19 cases worldwide totaled 77,198,524 on December 20th.²

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¹ Data from Bloomberg

² <https://www.worldometers.info/coronavirus/worldwide-graphs/#case-timeline>

³ <https://www.cnbc.com/2020/02/19/stock-market-wall-street-in-focus-amid-coronavirus-outbreak.html>

⁴ <https://www.cnbc.com/2020/02/24/us-futures-coronavirus-outbreak.html>

5 <https://www.cnbc.com/2020/03/15/federal-reserve-cuts-rates-to-zero-and-launches-massive-700-billion-quantitative-easing-program.html>6 <https://www.usatoday.com/story/news/health/2020/03/16/coronavirus-live-updates-us-death-toll-rises-cases-testing/5053816002/>7 <https://www.marquetteassociates.com/research/was-march-23-the-market-bottom/>8 <https://www.bbc.com/news/world-52103747>9 <https://www.cnbc.com/2020/04/28/us-consumer-confidence-april-2020.html>10 <https://www.beckershospitalreview.com/pharmacy/operation-warp-speed-a-timeline-so-far.html>11 <https://finance.yahoo.com/news/why-did-stock-market-plunge-180706493.html>12 <https://www.marketplace.org/2020/06/16/the-fed-starts-buying-corporate-bonds/>13 <https://www.nytimes.com/2020/08/19/business/dealbook/stock-market-record-high.html>14 <https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/>15 <https://www.wsj.com/articles/covid-19-aid-package-set-for-final-votes-in-house-senate-11608566895>