

The Markets May Have Just Given You an Opportunityⁱ

Investors may have misread the current move in the markets. I'll provide two ways to try to take advantage of this. Act before the markets turn.

Recent Market Move

- The S&P 500 Index has rallied 27.5% from its lows in March, now down only 11.3% YTDⁱⁱ
- The Russell 2000 Index has rallied 27.6% from its lows, down 24% YTDⁱⁱⁱ

Depression Unemployment Levels/Valuations High

- Unemployment could reach as high as 32%^{iv} according to the St. Louis Fed
- Forward earnings estimates are well above medians
- S&P 500 Index at 21.75^v(median 15.77^{vi})
- Russell 2000 Index at 45.98^{vii}

Market Misreads / Market Action

The market is running between two bleak realities. Treasury bonds have negative real yields^{viii}, creating an incentive to move into risk assets. Oversold conditions may have created a self-reinforcing rally. Investors may have moved into risk assets to avoid missing out on potential gains. At a certain point, reality sets in. The repercussions to the economy may become severe. Markets may sell off, and again set off a self-reinforcing move, this time lower.

Take Action

Many investors found themselves with excessive losses in March. However, with the market now 27.5% off of its lows, advisors and their clients have an opportunity to re-allocate to positions that build in contingencies for what could become the first depression in nearly one hundred years. We recommend two courses of action:

1. Move significant portions (50% of equities portfolios) to hedged or high conviction tactical strategies that have the ability to uncorrelate from economic activity.
2. Move fixed income assets to tactical high-yield bond strategies that attempt to increase yields into positive real territory and simultaneously attempt to lower risk due to defaults or rising interest rates.

The point is not to bet against the market. It is to attempt to lessen exposure to extreme losses, but attempt to participate if markets

move higher. The window for contingency planning may be fleeting. View this market rally as a potential opportunity. It's a rarely received second chance to make your [portfolio] one which could help offset losses during a crisis.

Sincerely,

Phillip Toews
CEO/Portfolio Manager

Prior performance is no guarantee of future results. There can be no assurance, and individuals should not assume, that future performance of any of the portfolios referenced will be comparable to past performance. There can be no assurance that Toews will achieve its performance objectives.

This message may include forward-looking statements. All statements other than statements of historical fact are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements.

This message is intended to provide general information only and should not be construed as an offer of specifically-tailored individualized advice. Investors cannot invest directly in an index.

For additional information about Toews, including fees and services, send for our disclosure statement as set forth on Form ADV by writing to Toews at Toews Corporation, 1750 Zion Road, Suite 201, Northfield, NJ 08225-1844 or by calling (877) 863-9726.

ⁱThere is no guarantee that the markets will move lower in the near term.

ⁱⁱSource of data: Bloomberg Finance L.P., as of [5/7/2020](#)

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^{iv}Source of data: <https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate>

^vSource of data: <https://www.wsj.com/market-data/stocks/peyields>, retrieved on [5/7/2020](#)

^{vi}Source of data: <https://www.multpl.com/shiller-pe>, retrieved on [5/8/2020](#)

^{vii}Source of data: <https://www.wsj.com/market-data/stocks/peyields>, retrieved on [5/7/2020](#)

^{viii}Source: <https://www.bloomberg.com/news/articles/2020-02-03/negative-real-yields-show-bond-traders-growth-worries-deepening>, retrieved on 5/7/2020