



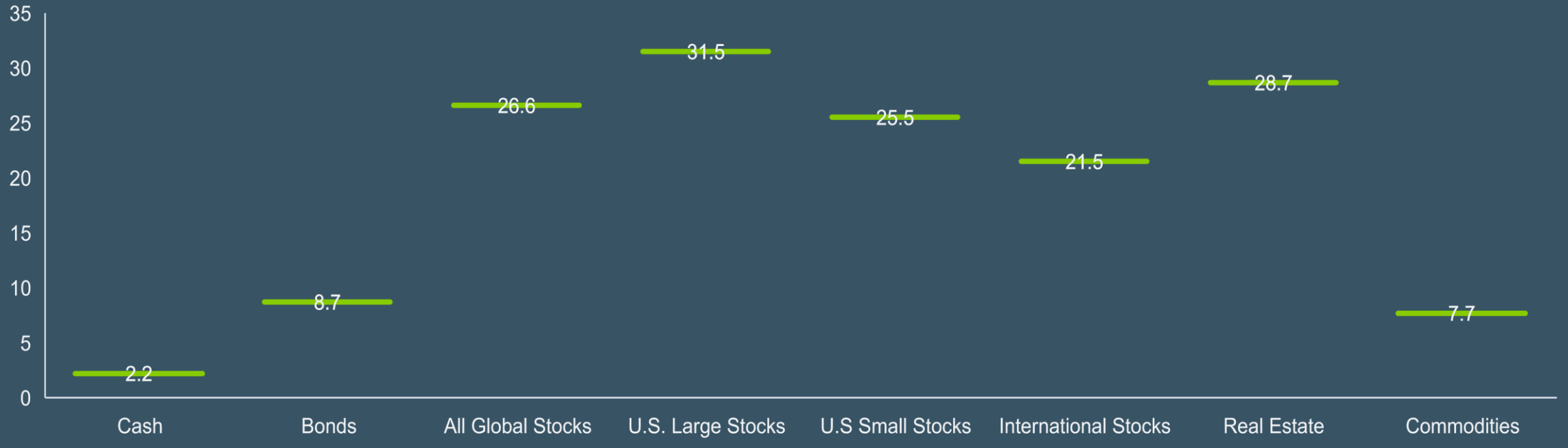
# Economic & Market Update

March 2020

Presented by Bryan Taylor, CFA

# Q4 2019 Market Update

## 2019 Market Performance



Market	Index	YTD 2019	Q1	Q2	Q3	Q4
Cash	Barclays 1-3 Month T-Bills	2.2	0.6	0.6	0.5	0.4
Bonds	Bloomberg Barclays US Aggregate	8.7	2.9	3.1	2.3	0.2
All Global Stocks	MSCI ACWI	26.6	12.2	3.6	0.0	9.0
U.S. Large Stocks	S&P 500	31.5	13.7	4.3	1.7	9.1
U.S Small Stocks	Russell 2000	25.5	14.6	2.1	-2.4	9.9
International Stocks	MSCI ACWI ex US	21.5	10.3	3.0	-1.8	8.9
Real Estate	NAREIT Equity REITs	28.7	16.3	1.2	7.8	0.1
Commodities	Bloomberg Commodities	7.7	6.3	-1.2	-1.8	4.4

# Q1 2020 Market Update

## State of the Markets

As of 3-23-2020

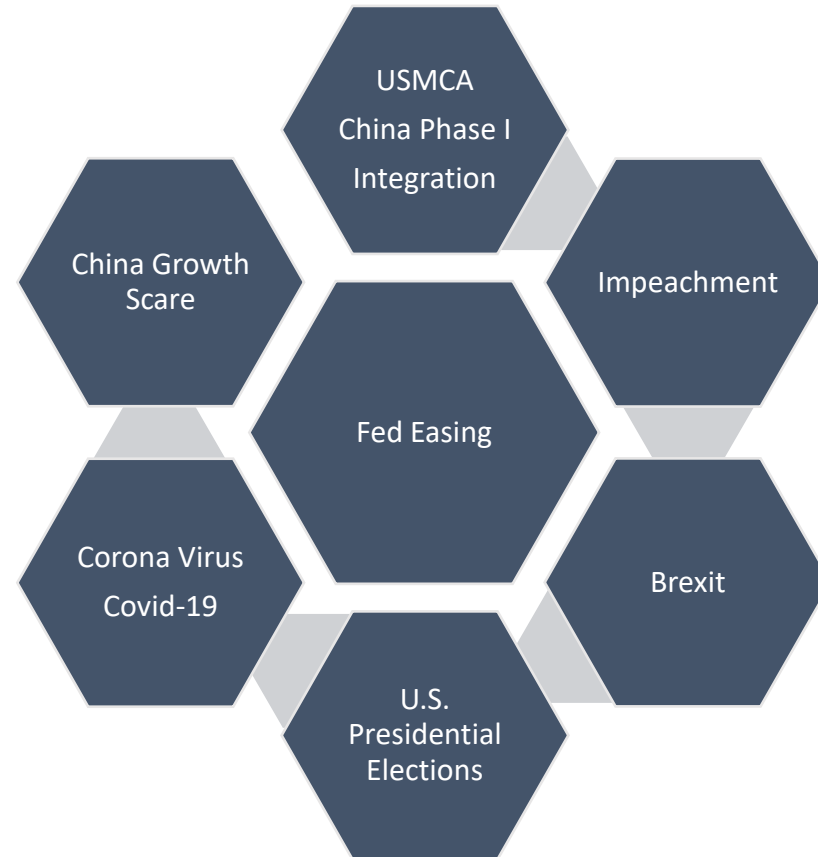
Major Category	Specific Category	MTD	YTD	3 Years	5 Years	10 Years	
Broad Financial Markets	Global Stocks	-25.0%	-31.8%	-3.1%	-0.4%	4.4%	
	Global Bonds	-4.8%	-2.9%	2.6%	2.0%	2.1%	
Commodities	Commodities	-12.6%	-23.1%	-8.3%	-8.1%	-6.7%	
	Oil (WTI)	-48.3%	-62.1%	-21.5%	-22.0%	-19.0%	
	Gold	-5.3%	0.7%	6.9%	5.2%	3.3%	
Currencies (Relative to USD)	EUR	-0.6%	-4.3%				
	JPY	-0.8%	-2.4%				
	GBP	-9.0%	-12.9%				
U.S. Stocks	U.S. Large Stocks	-24.2%	-30.4%	0.4%	3.3%	8.9%	
	U.S. Small Stocks	-32.0%	-39.7%	-8.3%	-3.2%	5.2%	
	U.S. Growth Stocks	-21.9%	-25.8%	6.0%	6.4%	11.1%	
	U.S. Value Stocks	-29.5%	-37.9%	-7.4%	-1.8%	5.8%	
	U.S. REITs	-36.3%	-40.7%	-9.3%	-4.8%	5.2%	
International Stocks	Developed Markets	-25.0%	-33.2%	-6.4%	-3.9%	1.3%	
	Emerging Markets	-24.5%	-31.8%	-5.6%	-2.6%	-0.3%	
Bonds	U.S. Broad Bonds	-2.6%	1.0%	4.2%	2.9%	3.6%	
	INTL Broad Bonds	-6.2%	-5.6%	1.4%	1.2%	1.0%	
	U.S. Gov't Bonds	1.7%	4.8%	4.0%	2.7%	2.7%	Current Spreads (bps)
	U.S. Investment Grade Corporates	-13.2%	-10.0%	1.9%	2.0%	4.2%	341
	U.S. High Yield Corporates	-18.7%	-19.8%	-1.7%	1.1%	4.8%	1100
	U.S. MBS	0.3%	2.0%	3.9%	2.8%	3.2%	86
Key Levels		Current Levels	2/19/2020	12/31/2019	12/31/2018		
		3M T-bill	0.02	1.58	1.55	2.45	
		1 Yr T-bill	0.17	1.46	1.59	2.63	
		2 Yr T-bill	0.28	1.39	1.58	2.48	
		5 Yr T-bill	0.38	1.37	1.69	2.51	
		10 Yr Bond	0.76	1.52	1.92	2.69	
		30 Yr Bond	1.33	1.97	2.39	3.02	
		WTI (Oil)	\$24	\$54	\$61	\$46	
	Gold (Spot Price)	\$1,560	\$1,622	\$1,520	\$1,284		



# 2020 Key Issues/Trends

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# Economic Outlook – 5 Factors

Rating Date: 3-24-2020

5 Factors	Comments	Positive/ Neutral/ Negative	Trend
Monetary Policy	<ul style="list-style-type: none"> <li>Fed cuts Rates 0-0.25%</li> <li>Fed Repo Market Engagement 1.5 Trillion Plus</li> <li>Fed QE Unlimited</li> <li>Fed Swap Lines, and multiple liquidity facilities</li> <li>Corporate &amp; Municipal Bond Engagement</li> </ul>	POSITIVE	●
Fiscal Policy	<ul style="list-style-type: none"> <li>UK &amp; Australia Fiscal Stimulus Packages</li> <li>China Stimulus</li> <li>U.S. 1-2 Trillion Package under consideration</li> </ul>	POSITIVE	●
Global Macro Environment	<ul style="list-style-type: none"> <li>Global Supply Shock (Pandemic related)</li> <li>Global Demand Shock (Pandemic related)</li> <li>Oil Shock – Saudi Arabia/Russia Price War</li> <li>Geopolitical risks: COVID-19 Pandemic</li> </ul>	NEGATIVE	●
Valuations	<ul style="list-style-type: none"> <li>Valuations Declining rapidly</li> <li>2020 YOY U.S. earnings growth negative</li> <li>No visibility</li> </ul>	NEUTRAL	●
Investor Sentiment	<ul style="list-style-type: none"> <li>Flagging – capitulation uncertain</li> <li>CFO sentiment negative to neutral</li> <li>Overall Confidence declining</li> </ul>	NEUTRAL	●



# Implementation and Strategy

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# Bob Farrell's 10 Rules for Investing:

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- #1 Markets tend to return to the mean over time
- #2 Excesses in one direction will lead to an opposite excess in the other direction
- #3 There are no new eras – excesses are never permanent
- #9 When all the experts and forecasts agree – something else is going to happen



## Response:

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- Don't Panic – Visibility is extremely limited
- Remember – Markets are often irrational in the short term
- Inaction is not the same as “Freezing”



### Frequency of Positive Total Returns (%)

Investment Period	US Large Cap	EAFE Equity	Emerging Markets Equity	US Agg	Emerging Market Debt	Global High Yield	Bank Loans
1 day	53	53	55	56	55	60	73
1 week	57	53	55	56	55	60	73
1 month	63	59	60	71	63	66	78
1 year	79	66	69	91	74	83	91
5 years	89	82	86	100	100	99	97
10 years	95	99	100	100	100	100	100

Source: Bloomberg and GSAM.

## MARKETS

During times of heightened market volatility and stressed liquidity, many investors feel a strong urge to de-risk and sell out of their equity positions. While timing the market has been notoriously difficult, history has rewarded patient investors who stayed invested over a longer time horizon. As the Chart of the Week shows, what matters most is time in the markets, not timing the markets.

# Disclosures:



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