

THE COMMUNIQUE

March 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3090.23	4.60%	-4.35%	-4.35%
Dow Jones Industrials	26703.32	5.09%	-6.43%	-6.43%
NASDAQ Composite	8952.17	4.49%	-0.23%	-0.23%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.93%
10-yr Treasury Bond	1.15%
30-yr Treasury Bond	1.71%

Information as of March 2, 2020

Source: Thomson Reuter's Thomson One

MARKET COMMENT

Coronavirus, Correction, & Capitulation

The pandemic, "coronavirus," which continues to spread across most of the world, created major angst for global financial markets, governments, and the health of individuals domestically and abroad. Although the extent of this virus is yet to be determined, at the present, the annual flu season still stands to infect more people and cause more deaths than the present reports of the coronavirus. This could significantly change, but hopefully that won't be the case. As portfolio managers, our minds are always focused on the markets, economies, and what changes will result for investor's portfolios, but our hearts are filled with compassion towards those who have already suffered or will suffer from this virus. Our hope is that its spread will be limited over the next several weeks and the total number of global infections will be dramatically reduced.

As evidenced by the broader indices, the global stock markets have responded very quickly on the downside. This has produced a very strong, fast correction (or pull back) from recent highs (see chart below).



In our minds, the big question is whether this virus causes enough damage to the globally economies to capitulate of the past economic growth, thus changing the stock market from a long term bull (rising) to a long term bear (declining) market? Or, contrarily, is this just a corrective pull-back from an overvalued stock market (see chart below) that is now set up for future advancement? Only time will tell, but let's consider some known facts which might shed some light on the stock market's future direction.



We know the U.S. unemployment rate is still near a 50-year low, which means a lot of people are working and have the potential to support our economic growth through their spending. All the while, consumers are spending substantially less on their energy bills, which creates pockets of surplus for savings and/or spending. In 2012, crude oil prices were over \$100 a barrel – they are now less than \$50.00 a barrel. Moreover, these lower energy costs have resulted in lower costs of other consumer goods who utilize oil in manufacturing. This has limited inflation in the U.S. to less than 2.5% and, depending upon whose numbers you use, some analyst believe inflation may running below 2.0%. The Federal Reserve has continued to take an accommodative stance of lower interest rates, which has led to a fairly robust housing market. But the potential for additional rate cuts, if the virus causes problems to our economy, remains on the table for the Federal Reserve's March meeting.

Considering these facts, and a now more reasonably priced stock market, we think the market might find some good reasons to resume its growth. However, a market consolidation period (*i.e.* sideways price movement), and perhaps a few quarters of slower corporate earnings, should be expected. A key focus will be whether companies begin to lay off workers. If unemployment strongly rises due to the virus, the market would look at this as a real negative, and the possibility of a coming recession. So, as always, we will keep a keen eye out for changes.

If you have any questions or concerns during this challenging time, please let us hear from you. Thank you for your continued trust and confidence, we do not take it lightly.

PLANNING STRATEGY

Raymond James "Point of View" article. M20-2967721

The Three T's of Effective Trustees

Here's how to choose a trustee that's up to the important task at hand.

Choosing a trustee – the person or entity who'll manage the assets within your trust – is no easy task. This important role comes with a number of responsibilities and liabilities, and it can be a challenge to find a loved one who's able and willing to take on the task – which is one reason many investors use a corporate trustee.

Whichever type of trustee you choose – individual or corporate – you'll want to keep a keen eye out for a few particular characteristics. Look for a trustee that fits the "three T's" – time, temperament and tenure. Here's why:

Time

Managing a trust takes a notable time commitment. Your trustee will need the availability to manage a multitude of tasks and liabilities like disbursing income to beneficiaries, filing the trust's income tax return, maintaining records of all transactions and countless more, so consider whether their current schedule allows for these additional responsibilities. Time also refers to their longer-term ability to hold this important position – will they still have the capacity and ability to serve as your trustee in years to come?

Temperament

Your trustee needs to display the right degree of impartiality. Family dynamics can add an emotional layer of complexity to estate planning, and your trustee will need to make decisions without exhibiting bias or bending to external influence. In fact, your trustee has a legal duty to manage the trust in the best interests of both its current and future beneficiaries. They'll be held liable for a number of duties such as ensuring all beneficiaries are informed of the trust and its administration, identifying conflicts of interest, and complying with all specific trust document provisions as well as state and federal governing laws. You'll want to confirm that they both understand these responsibilities and can carry them out with professionalism.

Tenure

Your trustee should have the knowledge, background and skillset to efficiently manage a trust account. Not every family member or friend will have experience with the financial and administrative responsibilities involved, which can include principal and income trust accounting, investing and tax reporting. Be sure your selected trustee is familiar with the tasks they'll need to handle – and that you're confident in their ability to complete them correctly and in a timely manner.

Selecting a trustee is an important decision – one that deserves thoughtful consideration. As the member of your financial team, we are happy to help walk through the decision-making considerations involved – and, if needed, may also be able to recommend an experienced, reputable corporate trustee, should you decide to use one.

LIFE & LEISURE

Raymond James "Point of View" article.M20-2971680

The Coronavirus Is Spreading – and So Are Related Scams

On January 30, the World Health Organization (WHO) declared the coronavirus outbreak a public health emergency – and unfortunately, fraudsters are trying to take advantage of the viral headlines.

New email phishing scams have been reported in which fraudsters are posing as the Centers for Disease Control (CDC), WHO and other well-known health organizations in order to obtain personal information.

“We commonly see fraudsters try to take advantage of global uncertainty by attempting to get people to click malicious links, enter credentials on fraudulent websites or volunteer their personal information,” explains Nate Tuting, head of the Raymond James Cyber Threat Center. “We’ve seen them impersonate a legitimate email sender by using an email address ending in ‘cdc.gov.org’ – something close enough to the legitimate ‘cdc.gov’ that unsuspecting recipients don’t realize it’s fake.” Tuting also warns that the scammer might even include the real organization’s logo somewhere in the email to feign credibility.

The emails may contain links or attachments promising “safety tips” to help prevent sickness or information on “new cases around your city.” Do **not** click on or open them. These links might send you to a scammer-controlled website designed to steal your log-in information, and attachments might be laden with computer viruses.

A few tips to remember as you work to keep your cyber-health secure:

- **Check the details.** Thoroughly check the email sender and domain names, and keep an eye out for spelling and grammar errors – they may be a hint that your correspondent isn't legitimate.
- **Look for red flags.** Fraudsters may often try to create a sense of urgency, pose as a person of authority or even use uncommon language to try to lower your defenses.
- **Play it safe.** Do not click any links, open any attachments, reply, or otherwise provide any information unless you're absolutely sure who you're communicating with.

- **Go straight to the source.** Not sure if an email is really from the organization it claims? Do an internet search for the entity in question, like Centers for Disease Control or World Health Organization, and review information straight from the real website.

And while we're at it, a few tips for staying healthy overall:

- **Wash your hands.** Frequently, and with soap and water. As to how long? "Count to 20," says Healthcare Policy Analyst Chris Meekins ([and the CDC](#)). "That's usually twice as long as most people do when they're washing their hands."
 - **Avoid close contact with people who are sick.** This one goes the other way, too – if you're the one who's ill, it's in everyone's best interests for you to stay home.
 - **Clean and disinfect the things you frequently touch.** Think your keyboard, mouse and phone, for starters. Another germ surface to target? Door handles. "Don't actively touch your face after you've touched a door knob," says Meekins.
 - **Lean on the professionals.** Talk to your doctor about any concerns you have, and be sure to immediately report any symptoms of illness.
- These steps may seem basic, but they're effective. By practicing these healthy habits, "you're less likely to get any type of disease, whether it's a cold or a flu," says Meekins, "and those same things apply to this coronavirus."

Sources: [cdc.gov](#), [nbcnews.com](#)

Quote of the Month: "The oldest and strongest emotion of mankind is fear, and the oldest and strongest kind of fear is fear of the unknown." H.P. Lovecraft

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