Monthly Market Letter
April 2020

Huntington PRIVATE BANK

April 2, 2020 Private Bank Chief Investment Office

The first quarter of 2020 was the tale of two quarters. Stock prices drifted higher and bond yields drifted sideways into mid-February. Then, news of the coronavirus came into the public domain and stocks had their quickest move from a Bull Market to a Bear Market in history – 17 trading days.

<u>Some observations:</u>

- On March 9th the yield on a 10-year treasury note slid to the lowest closing on record at 0.543%.
- The VIX Index of stock market volatility (which has had an average reading of 15.88 over the past five years) rose to a record high 82.69 on March 16th and had an average reading of 56.97 in March. Daily volatility this high negated the ability to efficiently and effectively trade into the daily ups and downs of the stock market.
- In March, the S&P 500 experienced seven days of +100 point or greater price moves and eight days of -100 point or greater price moves.

In the end, a balanced account of 50% large cap US stocks (S&P 500) and 50% intermediate term investment grade bonds saw an approximate 9% decline during March.

We realize this is a health crisis first, and we wish the best for you and your family. We also suspect that because 70% of the population is under "stay at home" orders, one of the worst and fastest economic downturns in U.S. history may occur during the second quarter. However, we then suspect the third quarter will see a strong rebound as Americans come back into the economy. NOTE: History suggests that stocks tend to bottom before the economy.

As a discretionary investment manager in this unprecedented environment, here have been our investment themes:

1. Maintain portfolios close to the middle of the strategic asset allocation as stated in the Investment Policy Statement.
2. Our equity, fixed income and open architecture managers are very benchmark aware and staying close to those weightings, while using security selection to hold value better than those benchmarks.

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3. Rebalance over timing. Our Investment Strategy Team has been recommending proactive stock/bond rebalancing as account weightings may become >3% out of alignment.
4. A much larger percentage weighting to large cap stocks over small cap stocks at this time. (Though we will review this as the US economy rebounds later this year.)
5. US over International bias. The US arguably came into this health crisis on much firmer footing than most of the rest of the world.
6. Active over Passive. We want another layer of downside protection with active security selection versus participating in 100% of market downturns.

In addition to the market movements, the CARES Act is something that should also be considered at this time as a part of wealth planning. There are provisions in the act that affect retirement plans, estates and charitable giving. Please reach out to your Advisor for more information.

Our best case is that, after the virus is contained, this economic shutdown will end (hopefully in the Spring) and economic activity will come back in the Summer – and – in the middle of this year, stocks will start to consider 2021 corporate earnings estimates which continue to rise now, as 2020 earnings estimates fall.

We will be here for the long-term and will remain sensible in our investment approach for you.