Stocks Fall as Volatility Increases Arising from COVID-19

On March 9, the stock market hit its 11th year in the longest Bull-Market run in history. Now, days later, all major market indices are considered in "bear market" status with losses at or greater than 20% from their peaks. You may be asking: "Where will this end, and what should I think?"

Some weeks ago, I began this newsletter with "The story behind 2019." THAT story is long over. The current story is, of course, **COVID-19 or the coronavirus along with the political landscape and perhaps a looming recession..**

Some states have essentially 'closed' due to containment of this virus, countries have closed, Italy for one, and this week we saw markets halted due to sharp sell-offs. What most gained in 2019, for most investors, has fallen away this past month. By now you've discounted your double-digit returns from 2019 and are wondering what's in store financially and perhaps humanly from a world perspective.

I've been alpine climbing for about 15 years. Actually, I like to say that the markets drove me to climb, and I would love to be nowhere right now than atop the high alpine with no access to television or a phone.

Seriously, I've been in asset management since 1996, and have experienced numerous hills and valleys. In 2000, the tech industry bubbled. In 2003, we were devastated by 9/11. The financial crisis of 2008 was sharp

and markets saw losses of close to 40% in most cases. I've left out many other bumps in the current not-so-yellow-brick road.

The point is, we climb on and, yes, sometimes we hunker down. We, YOU prepare every day.

We were ready for the fundamental downturns in 2000 and 2008 and allocated accordingly, thanks to our indicators. Like weather reports and avalanche predictions, you heed these, especially when at altitude.

"Black Swan" events are unpredictable. They are surprise events that are beyond what is normally expected of a situation, and they have potentially severe consequences — like 9/11 and COVID-19 or an unseen crevasse on Mt. Denali!

These events do happen, but if given too much weight in your financial plan, allocations, or portfolio, they will keep you consistently on the sidelines in a way that hinders your long-term success.

You've heard me say more than once, "The best thing to do financially isn't always the best thing to do!" This means sleep at night counts, but it will cost you. The financial stats from DALBAR, the leading and longest archive of "investor bad behavior" and the data on when individuals sell and buy as opposed to investing with a plan that is not event driven, is clear: it costs investors to trade based on events!

At Alphavest/WEP, we pride ourselves on **being exceptional at tactically managing your portfolios around recessionary bear markets.** I don't profess or believe in market timing by reactionary trading and going in and out of prudent portfolio decisions in Black Swan events like the current COVID-19 environment.

A good example is the fact that it took, on average, four months to recover from 9/11 — where thousands died, and our borders along with the nation's stock exchange were shut down. How quickly we forget market sell-offs, panic, and unfortunately the human toll and how it affects all of us in so many ways.

Herein, we have some stats on the tolls that other world epidemic outbreaks have had on the S&P 500 dating back to 1981, not the same, I realize, but it's a good base information when all else is so uncertain right now with the virus. Please know while these are just statistics, and the best anyone has relative to today's COVID-19 environment, we don't manage our assets based on this information. If the stats were spotty or unclear as to a possible forward direction of the market this year and/or next, I wouldn't share them. But these stats appear comforting.

COMPARISON WITH OTHER VIRUSES

*For comparison, the case fatality rate with seasonal flu in the United States is **less than 0.1%** (1 death every 1,000 cases).*

Mortality rate for SARS was 10%, and for MERS 34%.

VIRUS	DEATH RATE
Wuhan Novel Coronavirus (2019-nCoV)	2%*
SARS	9.6%
MERS	34%
Swine Flu	0.02%

**estimate*

For now, many questions remain: How will our country respond? Will it be contained? Will its spread decrease within the next month — the next year?

How will this affect banking and liquidity? Leaders of the biggest U.S. banks were summoned to Washington by President Trump to discuss ways to support small businesses and markets. Brian Moynihan/Bank of America, Charles Scharf/Wells Fargo, David Solomon/Goldman Sachs and Stephen Schwarzman/Blackstone were among the CEOs present at the meeting.

They were quick to point out that, unlike during the last recession more than a decade ago, the banking industry is well capitalized and has undergone several years worth of Federal Reserve-mandated stress tests. The 2008 financial crisis was caused in part by excessive bank leverage and irresponsible mortgage lending.

My question to you is this: **Has anything changed with your 3-Year Bucket?**

Alphavest clients are prepared for Black Swans and recessions based on their portfolio needs. If your needs from your portfolio have not changed — i.e., how much you withdraw annually now — then it's likely you can choose to let portfolio fears *related to the current market downturn* trouble someone else.

This means you have a solid plan in place — trust that plan, weather the storm, and trust us to keep true to the indicators that help us remove emotion from portfolio/investment management; now, in a recession, or in a Black Swan market recovery.

Lastly, entering this COVID driven downturn, the fundamental economy was NOT weak. Should the crisis play out sooner rather than later, I feel the 2020 opportunities we saw previously still exist. And of course, they will provide ample opportunity to recover losses from this Q1 sell-off.

A longer outbreak may prove tough on a previously stable, but weakening economy. Either way, our metrics will tell us, far in advance, if we are slipping into a Bear Market recession. On average we're prepared and reallocated for such 6-9 months in advance. Bear Market recessions don't happen overnight. They aren't caused by a 20% downtown in the stock market.

I've never climbed Everest. But I've climbed Mt. Denali, and I've climbed many others. While we — you and me — have never been here before, we're trained and equipped to get up and down this mountain.

Please take a moment to **set up a free 15-minute consult.** These days can seem harrowing, just know that we're here in good markets and bad to discuss your investments.

Warmly,

H. Cokie B.

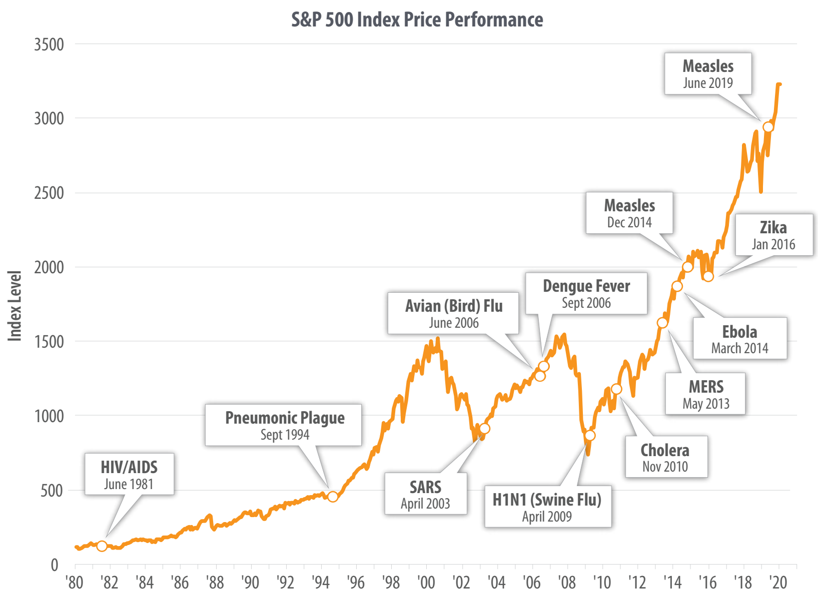
Cokie

Epidemics and Stock Market Performance

Since 1980

First Trust

There are many factors that can impact stock market returns, but one concern of investors today is how the stock market will be impacted by a major epidemic or outbreak. Below we look at the historical performance of the S&P 500 Index during several epidemics over the past 40 years. We believe looking at the market's overall resiliency through several major epidemics can give us perspective on the benefits of investing for the long-term.



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIV/AIDS	June 1981	-6.6%	-16.5%
Pneumonic Plague	Sept 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
Dengue Fever	Sept 2006	6.4%	14.3%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
Cholera	Nov 2010	13.9%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles	Dec 2014	0.2%	-0.7%
Zika	Jan 2016	12.0%	17.5%
Measles	June 2019	9.8%	N/A*
Average Price Return		8.8%	13.6%

Observations

- **6-month** change of the S&P 500 Index following the start of the epidemic was positive in 11 of the 12 cases, with an average price return of 8.8%.
- **12-month** change of the S&P 500 Index following the start of the epidemic was positive in 9 of the 11 cases*, with an average price return of 13.6%.

Source: Bloomberg, as of 2/24/20. Month end numbers were used for the 6- and 12-month % change. *12-month data is not available for the June 2019 measles. **Past performance is no guarantee of future results.**

The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

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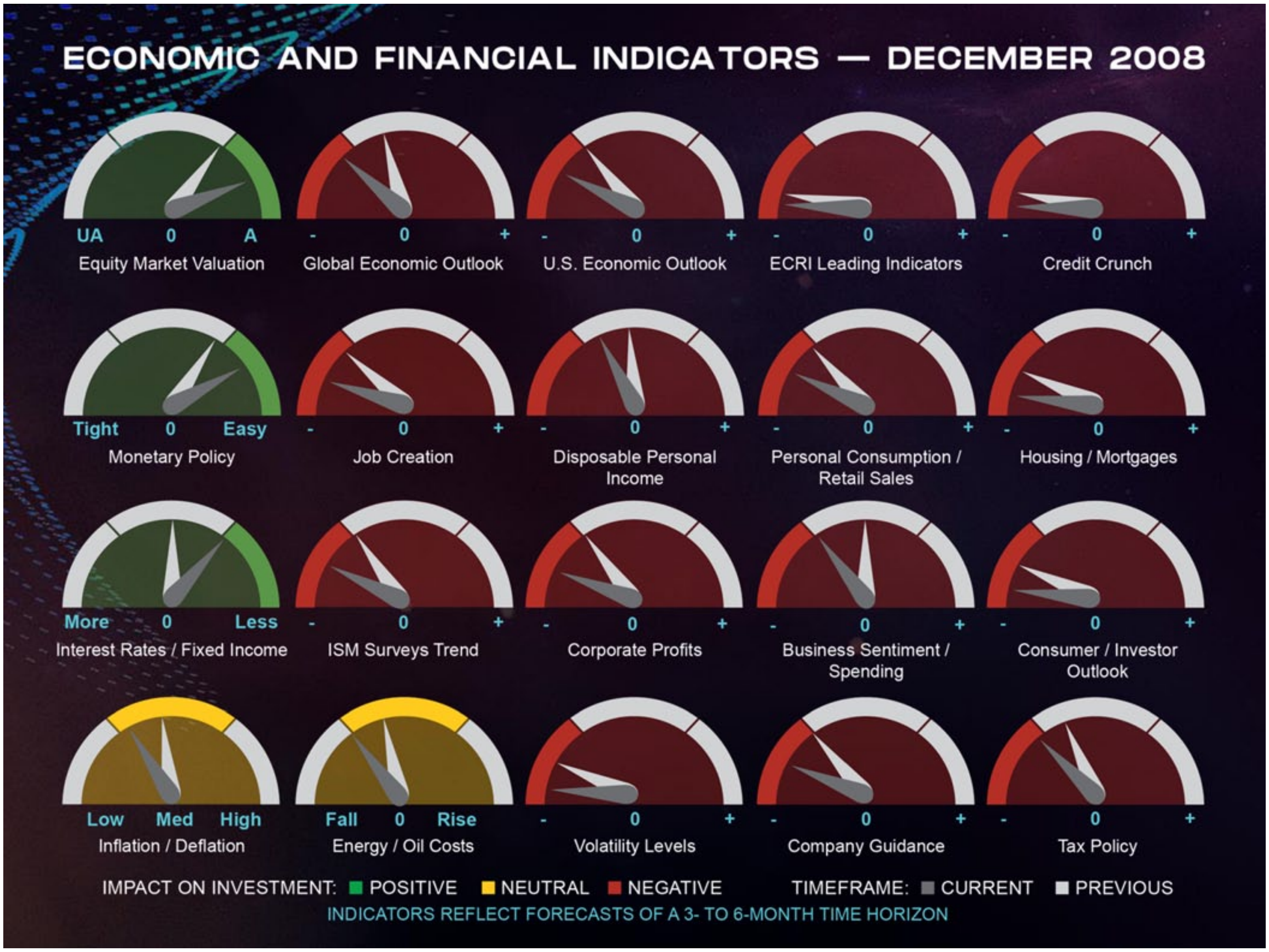
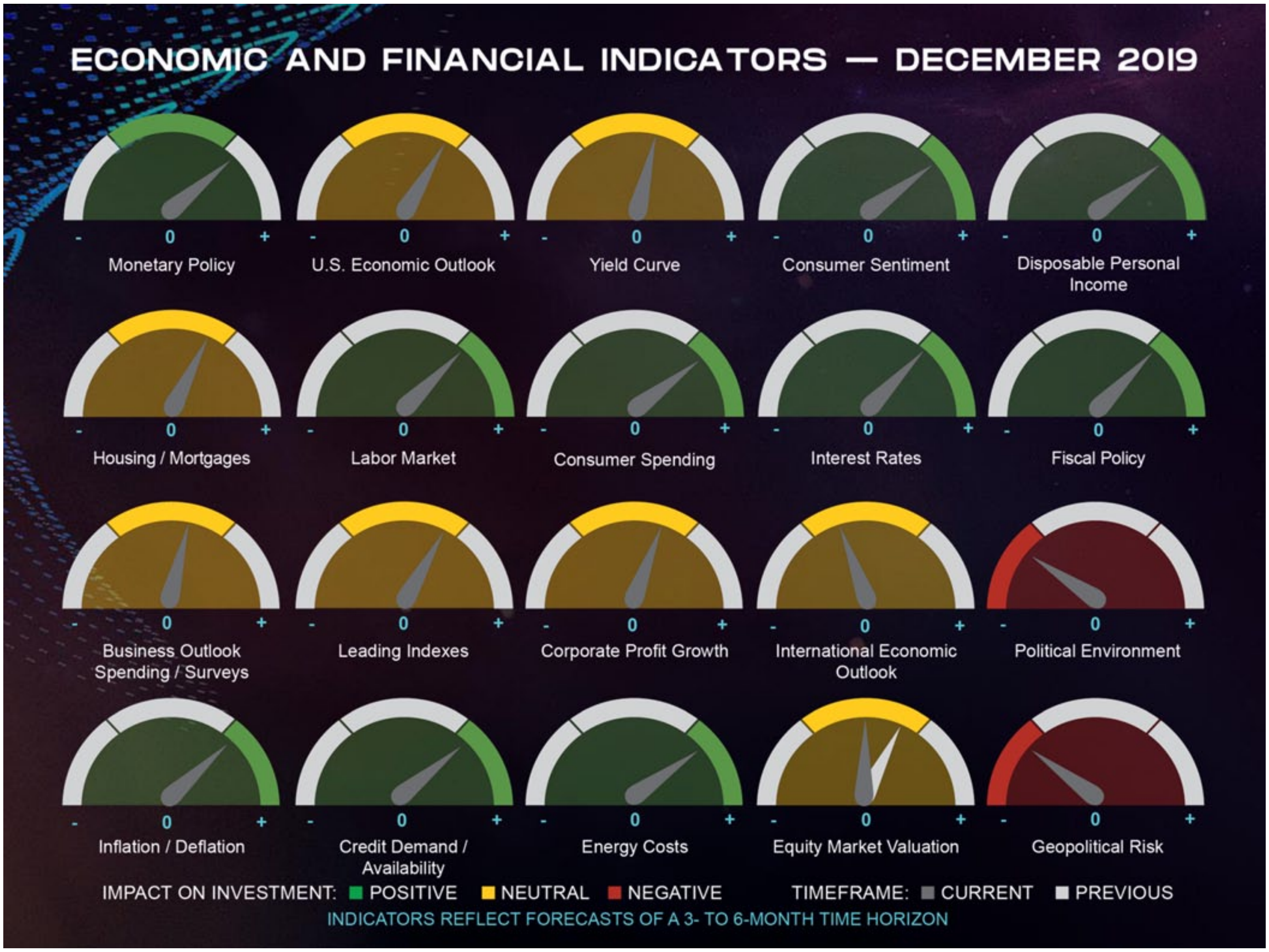
Only 1 Instance of negative returns on the S&P (both 6 and 12 month returns) after an epidemic since 1980 — and that was AIDS.

A Look at What the Last Recession Looked Like:

ECONOMIC INDICATORS AND THE RECESSION LANDSCAPE



A LOOK AT THE INDICATORS 2019 YEAR-END AND BEFORE COVID-19:



MARCH 2020 | CITY NATIONAL ROCHDALE

Economic Outlook

The global economy has slowed and become more divergent. In the U.S., fundamentals remain healthy, but we expect growth to gradually slow back to trend over the next several quarters as the impact of recent fiscal stimulus fades. Positive fundamentals include jobs, housing, investment, confidence, and stable inflation. Trade tensions continue to be a concern, but for now, the impact is expected to be manageable.

Fixed Income Outlook

Recent economic and political concerns have driven rates lower, and Fed officials have signaled willingness to cut rates lower if necessary to support the expansion. This has provided support to our view that rates peaked in late 2018. While rates have rallied tactically, we believe that strategically placing money further out the yield curve is a viable option for investors with a longer term view. Opportunistic income continues to offer pockets of value and we continue to nudge quality higher across our various strategies in response to late cycle indicators. Credit fundamentals largely remain stable and we are constructive on credit exposure in the near to medium term. Nevertheless, we remain watchful for deterioration in light of heavy issuance and declining profit margins.

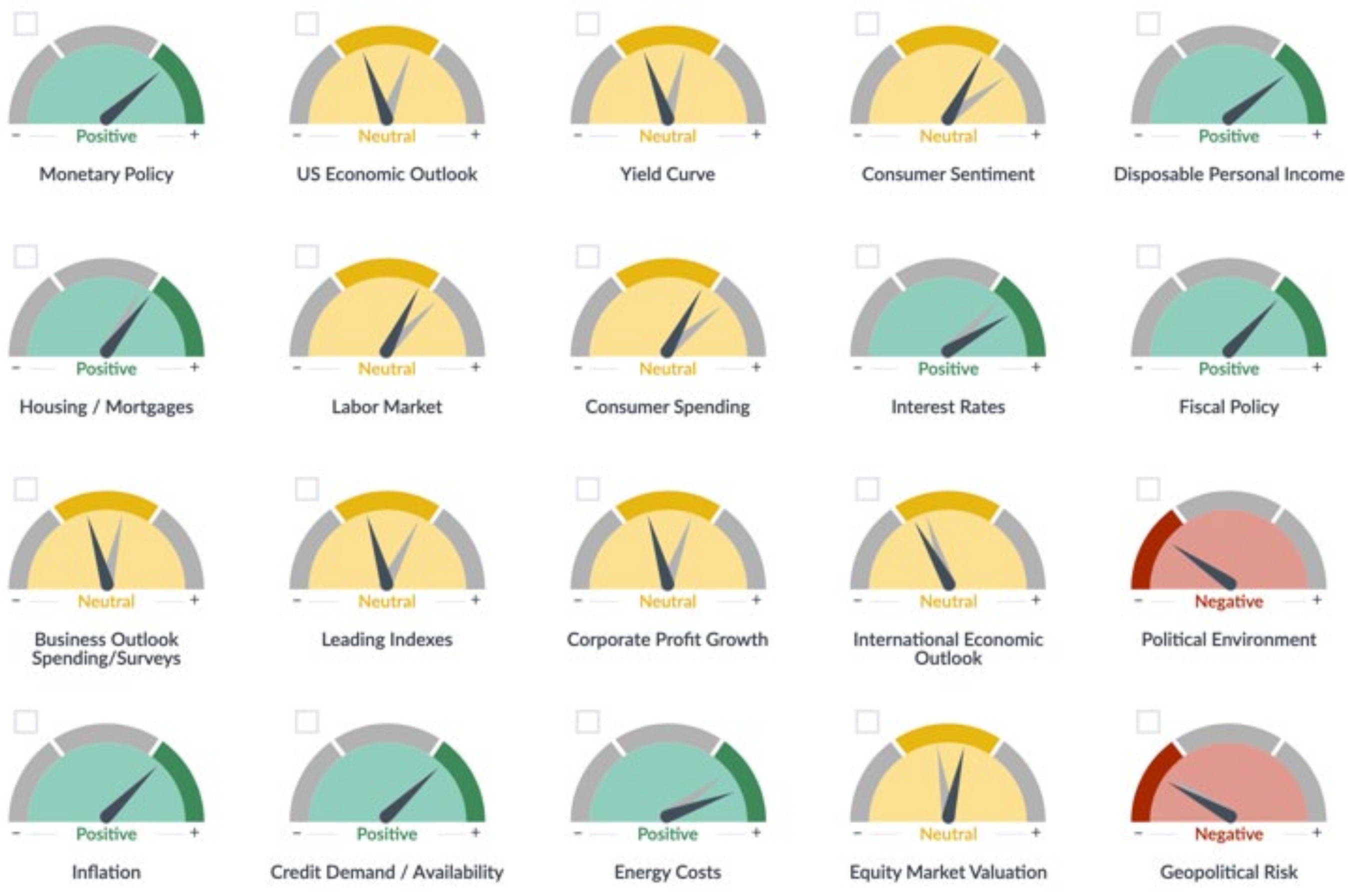
Equity Outlook

We continue to emphasize U.S. and Emerging Market Asia given the metrics in our 4Ps framework and better earnings growth profile compared to other regions of the world. We remain focused on high quality companies with visible earnings and those with solid and growing dividends.

City National Rochdale
AN RBC/CITY NATIONAL COMPANY

Since Year-End 2019, we have seen 3 more indicators move from positive to neutral: **Consumer Sentiment, Consumer Spending,** and **Labor Market**

MARCH 2020



Headwinds and Tailwinds Pre COVID-19 sell off:

HEADWINDS

- BUSINESS CYCLE
- SLOWING GLOBAL GROWTH
- TRADE POLICY
- HIGHER VOLATILITY
- 2020 ELECTIONS
- ACCELERATION IN WAGES (and other business costs)
- GEOPOLITICAL SHOCKS

TAILWINDS

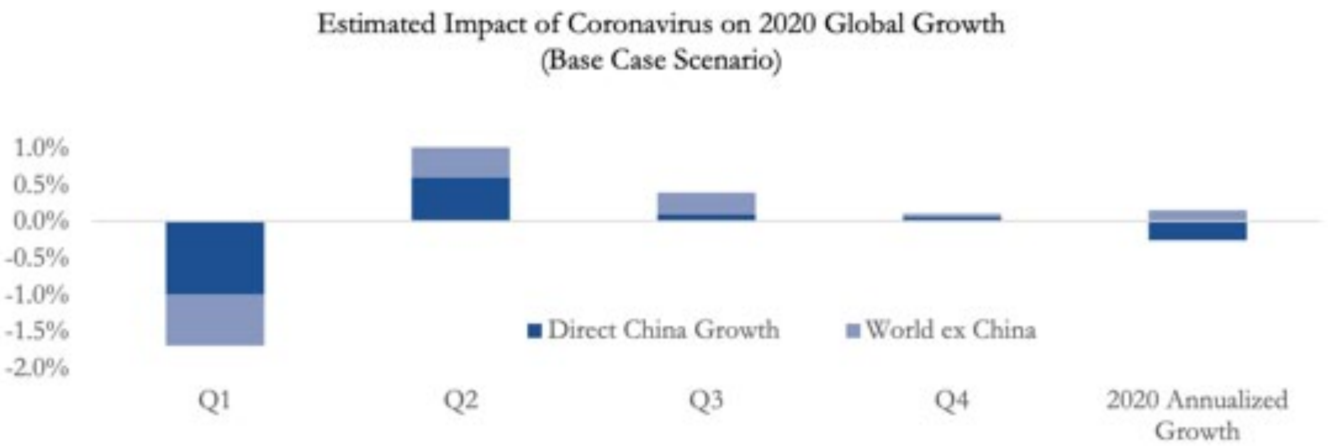
- FED DOVISH PIVOT
- CORPORATE PROFITS
- HEALTHY CONSUMER
- SOLID BUSINESS FUNDAMENTALS
- HOUSING
- 2020 ELECTIONS
- FAVORABLE FINANCIAL CONDITIONS
- MODERATE INFLATION

NAVIGATING THE GLOBAL CROSSCURRENTS

POSITIVES	CAUTIONARY SIGNS/AREAS TO WATCH
• Fed dovish pivot/favorable financial conditions • Positive corporate profit growth • Healthy consumer and business fundamentals • High confidence • Modest inflation • Bottoming of global slowdown/reduced trade tensions • Few signs of imbalances	• Aging business cycle • Coronavirus impact • Trade policy missteps • Higher debt levels • Fading fiscal stimulus • Potential acceleration in wages and other business costs • Geopolitical shocks • Higher volatility and valuations

The investment landscape, while still positive, is growing more challenging as investors adjust to more typical late-stage expansion conditions.

GLOBAL OUTLOOK REMAINS SUBDUED



Source: City National Rochdale and FactSet as of January.

China is expected to face the brunt of the fallout from the Coronavirus, but most of the loss in global economic output is expected to be recovered over time.

ECONOMIC OUTLOOK: SLOWING, BUT STILL GROWING

- Strong U.S. economic fundamentals include jobs, confidence and stable inflation.
- Trade remains a concern, but tensions appear to have eased for now
- Fiscal policy is giving a boos to the GDP, but impact is fading
- Fed policy is supportive, but capacity to stimulate is likely limited
- Global outlook remains subdued: Modest cyclical upturn, delayed by coronavirus impact

CITY NATIONAL ROCHDALE FORECASTS		2018	2019e	2020e
GDP Growth		2.9%	1.75%-2.25%	1.65%-2.15%
Corporate Profit Growth		22%	1%-3%	3%-5%
Interest Rates	Fed Funds Rate	2.375%	1.625%	1.50%
	Treasury Note, 10-Yr.	2.69%	1.50%-2.00%	1.50%-2.00%

The U.S. economy appears to be in the later stages of this economic expansion, with slowing but sustainable growth.

NEAR-TERM BEAR MARKET RISK IS LOW

Bear Markets	Market Peak	Return	Duration (Months)	Macro Environment			
				Recession	Commodity Spike	Aggressive Fed	Extreme Valuations
Crash of 1929 – Excessive leverage, irrational exuberance	September 1929	-86%	32				
1937 Fed Tightening – Premature policy tightening	March 1937	-60%	61				
Post-WWII Crash – Postwar demobilization, recession fears	May 1946	-30%	36				
Flash Crash of 1962 – Flash crash, Cuban Missile Crisis	December 1961	-28%	6				
Tech Crash of 1970 – Economic overheating, civil unrest	November 1968	-36%	17				
Stagflation – OPEC oil embargo	January 1973	-48%	20				
Volcker Tightening – Whip Inflation Now	November 1980	-27%	20				
1987 Crash – Program trading, overheating markets	August 1987	-34%	3				
Tech Bubble – Extreme valuations, dot-com boom/bust	March 2000	-49%	30				
Global Financial Crisis – Leverage/housing, Lehman collapse	October 2007	-57%	17				
Current Cycle	-	-	-				
Average		**-46%**	**24**	**80%**	**40%**	**40%**	**50%**

Bear markets outside recessions are rare.

Sources: J.P. Morgan, FactSet.

None of the conditions that traditionally trigger bear markets — soaring commodity prices, aggressive Fed tightening, extreme valuation or recession — are present.

ECONOMIC FUNDAMENTALS APPEAR TO BE SOLID

Indicator	Status	Level
Leading Indicators	Leading indexes have slowed but continue to signal a modest, sustainable economic expansion ahead.	5.5
Labor Market	Slower, but steady job growth continues, and labor market indicators point to continued strength ahead.	7.0
Consumer Spending	Improved consumer fundamentals, including continued job growth, solid real income gains, and elevated confidence, provide support for household spending. Tax cuts should boost disposable income.	7.0
Global Economic Growth	Assuming the economic disruption comes to an end soon, the coronavirus will probably end up just delaying the expected modest global economic recovery in 2020, rather than cancelling it altogether.	5.0
Monetary Policy	Officials have signaled their willingness to remain accommodative but capacity to stimulate is limited.	6.0
Fiscal Policy	Fiscal policy tailwind for the economy is fading.	6.0
Consumer Sentiment	Confidence across a number of measures remains high, though expectations on future conditions have weakened.	7.0
Credit Availability/Demand	Borrowing terms and increased availability remain largely favorable. With household debt trending lower relative to incomes and debt servicing costs at a record low, higher borrowing costs won't be a major drag.	6.5
Geopolitical Risks/Contagion	Trade policy missteps, European political and financial system stability, and other unforeseen circumstances have the potential to disrupt markets and shake confidence.	3.5
Business Investment	Slow global demand, trade tensions and heightened policy uncertainty are weighing on sentiment and capital spending plans.	5.5
Service Sector	Survey measures have moderated but continue to point to the sector continuing to expand at a moderate rate, stabilizing and supporting overall GDP growth.	6.5
Manufacturing Sector	Outlook remains subdued against slower global backdrop, stronger dollar and continued trade tensions.	4.5
Housing	A solid labor market, rising incomes and the Fed's dovish pivot support demand and residential construction; however, gains are likely to be moderate and face headwinds from low supply and tight capacity restraints.	5.5
Inflation	While a tightening job market may increase wage and price pressures somewhat further in the coming year, the structural forces that have kept inflation subdued remain in place.	6.5
Energy	Subdued global outlook should keep overall price increases in check. With the US no longer a net importer of oil products, the economy is likely to be resilient even if oil prices spike.	6.5
Total Score		**5.9**

Positive 6.0 to 10	Improving outlook, confluence of positive indicators, recession probability low	**Neutral** 4.0 to 5.9	Steady but sluggish growth, mixed economic signals	**Negative** 0 to 3.9	Weak economic growth, decelerating trends, recession a distinct possibility

Source: City National Rochdale. As of February 2020

The U.S. economy appears to have strong fundamentals, with low unemployment, modest inflation and little evidence of mounting excesses or imbalances.

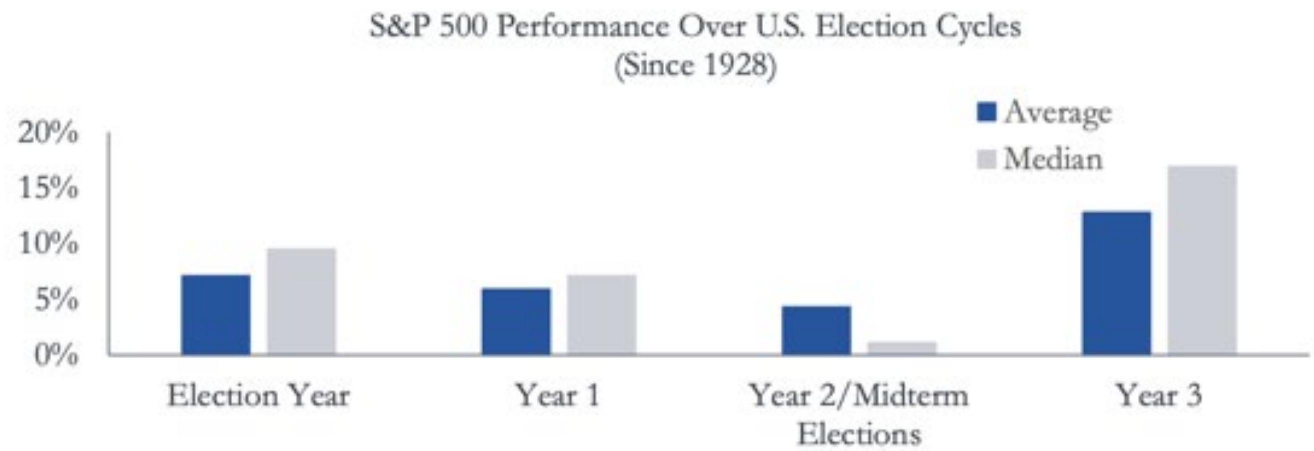
MODERATE ECONOMIC EXPANSION STILL SUPPORTS EQUITIES

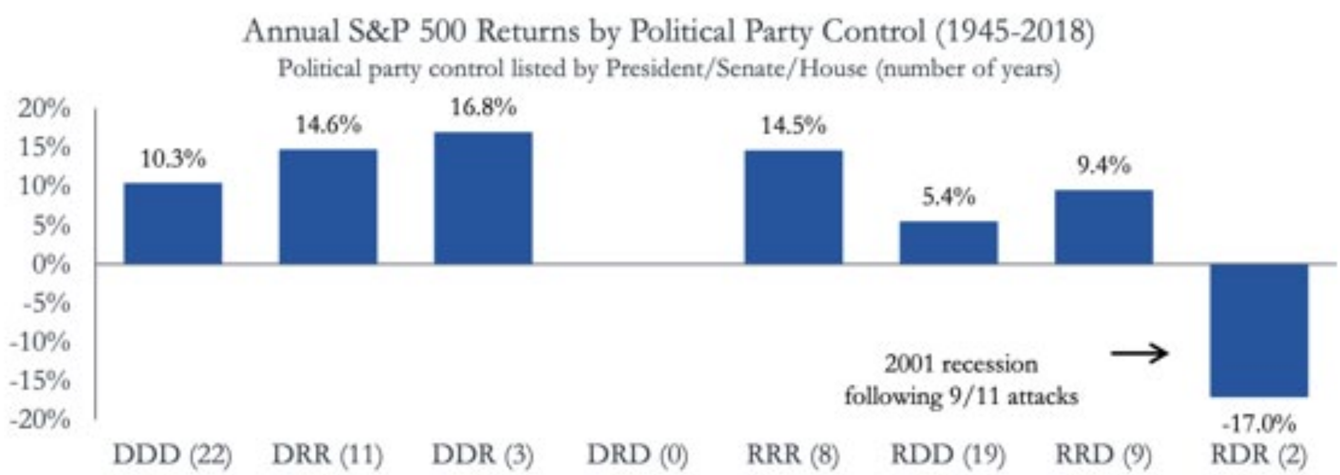
Indicator	Status	Current Score
Global Economic Outlook	Global outlook remains subdued and more divergent between economies.	5.5
Corporate Profitability	Modest earnings growth projected in line with softer economic expectations.	5.5
Monetary Conditions	Central banks around the world, including the U.S. Fed, have turned increasingly more accommodative.	6.5
Valuation	Valuations are beginning to look high from a historical perspective, though still reasonable in the context of today's low interest rate environment.	5.0
Technical Indicators	Market strength and breadth has improved, while measures of investor optimism remain measured despite the recent rally.	6.5
Systemic Financial Sector Risk	Global financial conditions remain stable. Continuing geopolitical uncertainty raises the possibility of volatility in months ahead.	6.5
Total Score		5.8

Positive 6.0 to 10	Overweight	Neutral 4.0 to 5.9	Neutral Weight	Negative 0 to 3.9	Underweight

We believe U.S. equities remain attractive versus investment-grade bonds, and should be favored in most client portfolios.

PRESIDENTIAL ELECTION YEARS ARE TYPICALLY GOOD ONES FOR INVESTORS





Source: Factset, U.S. House of Representatives, U.S. Senate. As of December 2019.

Some experts argue that recession fears are overblown despite the latest sell-offs, as the market historically tends to bounce back in the long-term.

- Coronavirus has taken a big toll on the U.S. stock market and economy in recent weeks: All three major indexes have undergone a correction and are now flirting with bear market territory, down by more than 20% from their most recent highs.
- Though many on Wall Street are trying to gauge the economic fallout from the coronavirus outbreak and now an oil price war, historical data suggests that the market will eventually bounce back from recent losses—even after stocks on Monday had their worst day since the financial crisis in 2008.
- Data from Bespoke Investment Group shows that there have been three other periods since 1990 where the S&P 500 has reached "off the charts" oversold levels (three standard deviations below its 50-day moving average): In October 2008, August 2011 and August 2015.
- While in all three cases, the S&P 500 hit new lows before moving higher, "the market eventually got back on track" over the next three and six month period—with the exception of 2008, when it returned to positive territory after a year.
- According to a report from JPMorgan Chase, the market has priced in too much of a worst-case scenario: Coordinated policy action from the Federal Reserve and U.S. government should help markets recover from the recent sell-offs and "ultimately outlast the outbreak," the firm's chief U.S. equity strategist, Dubravko Lakos-Bujas, said in a note on Tuesday.
- While there's certainly been dramatic market volatility in the past few weeks, it presents "a great opportunity for stock-picking outside of the top 100 or so big-name companies that we talk about every week—as many valuations have become cheaper," points out Charles Lemonides, chief investment officer at ValueWorks.

Crucial statistic: JPMorgan currently places its year-end price target for the S&P 500 at 3,400—implying that the firm sees around an 18% upside from the index's current level today. "The speed and intensity of the sell-off has shaken investor confidence with many now modeling recession scenarios even though there is still significant lack of clarity on the actual fundamental impact," Lakos-Bujas said in his note.

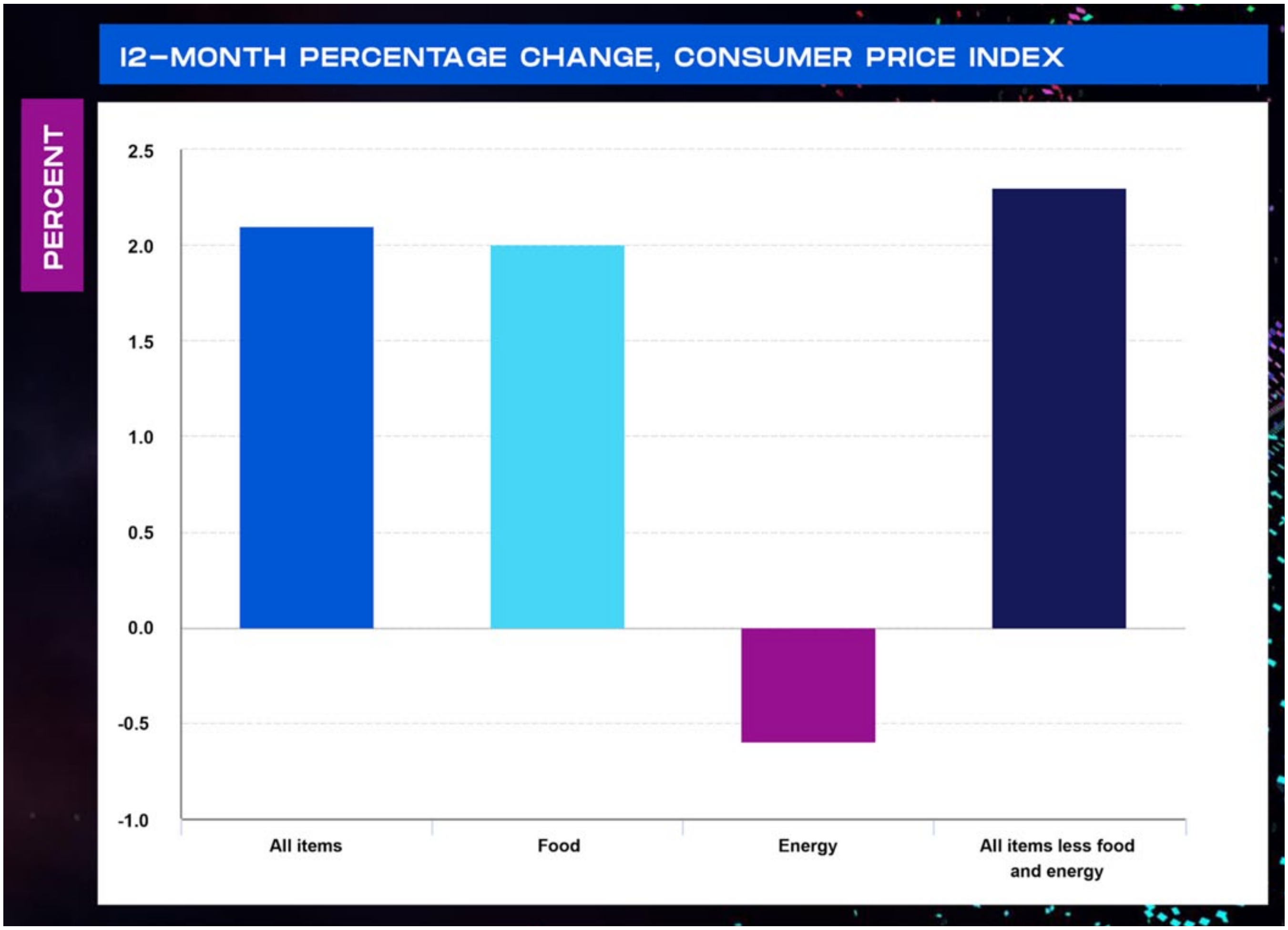
Crucial quotes: Mohamed El-Erian, chief economic adviser at Allianz, wrote in the Financial Times on Monday that the feared impact of the coronavirus is "destroying supply and demand simultaneously," while the recent launch of an oil price war is further putting pressure on the global economy. He argues that a coordinated "whole of government" approach with "true productivity-enhancing reforms" would effectively stem financial losses, rather than continuing to over-rely on central banks.

Tangent: "There's very dramatic value to be found in secondary and tertiary names—it's a good time to be confident when putting money to work," says Lemonides. He identifies several stocks in particular that are really well-priced right now compared to a couple of weeks ago: Goldman Sachs, Invesco and United Natural Foods. "Position your portfolio through this maelstrom to the other side of it," he recommends.

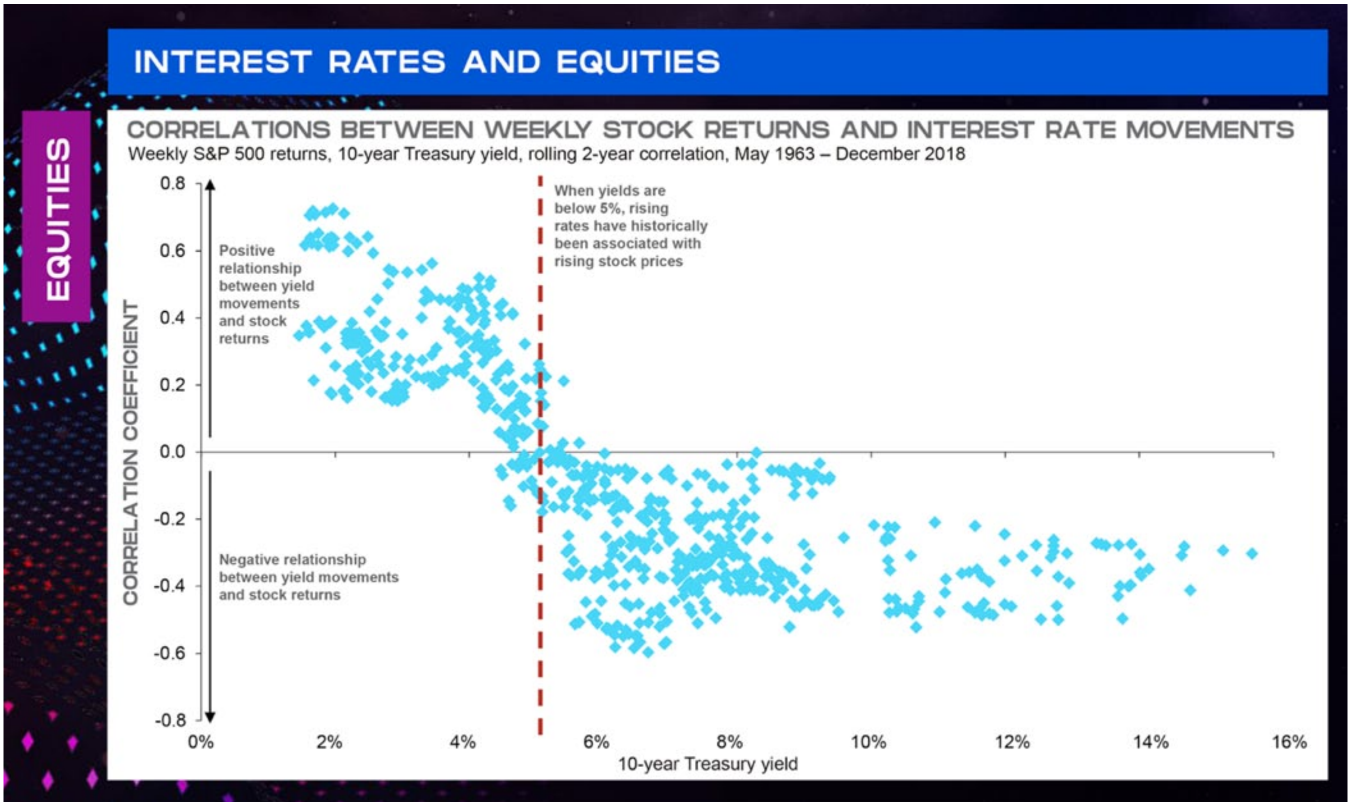
Key background: Investors have struggled to judge the economic impact of the fast-spreading coronavirus, especially now that it has started to hit the U.S.—with over 750 infected and 26 dead. Making matters worse is an oil price war that broke out between Saudi Arabia and Russia over the weekend, further fueling fears of a global economic recession. Monday's historical sell-off saw the Dow and S&P 500 both plunge almost 8% for their worst day since 2008. Oil also fell around 25%—its biggest one-day decline in prices since the Gulf War in 1991.

2020 Forecasts

INFLATION



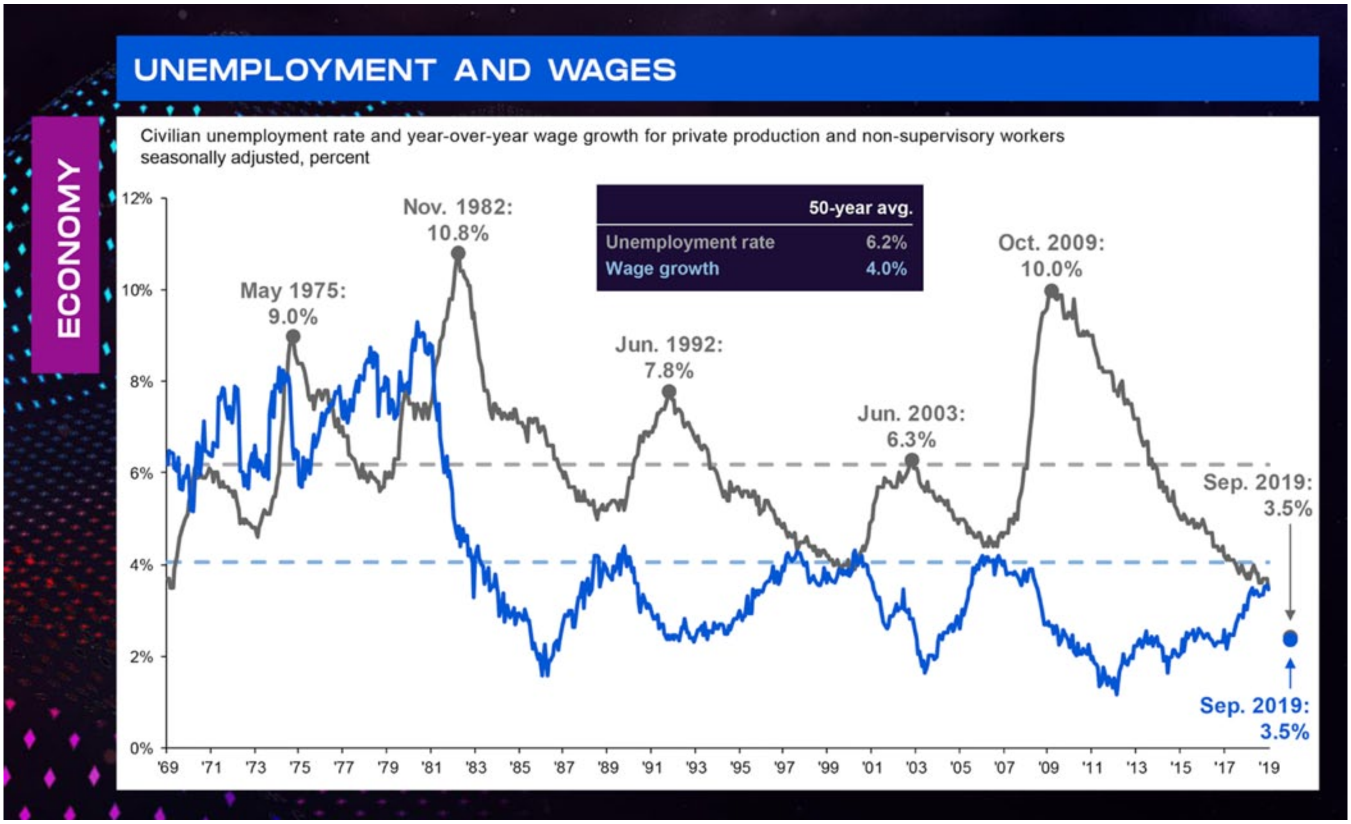
INTEREST RATES



GROSS DOMESTIC PRODUCT

	REAL GDP (%)		UNEMPLOYMENT RATE (%)	
QUARTERLY DATA	PREVIOUS	NEW	PREVIOUS	NEW
2019: Q4	2.0	1.7	3.6	3.6
*2020: Q1	1.9	1.9	3.6	3.6
*2020: Q2	2.0	1.7	3.6	3.6
*2020: Q3	2.0	1.7	3.7	3.7
*2020: Q4	N/A	1.9	N/A	3.7

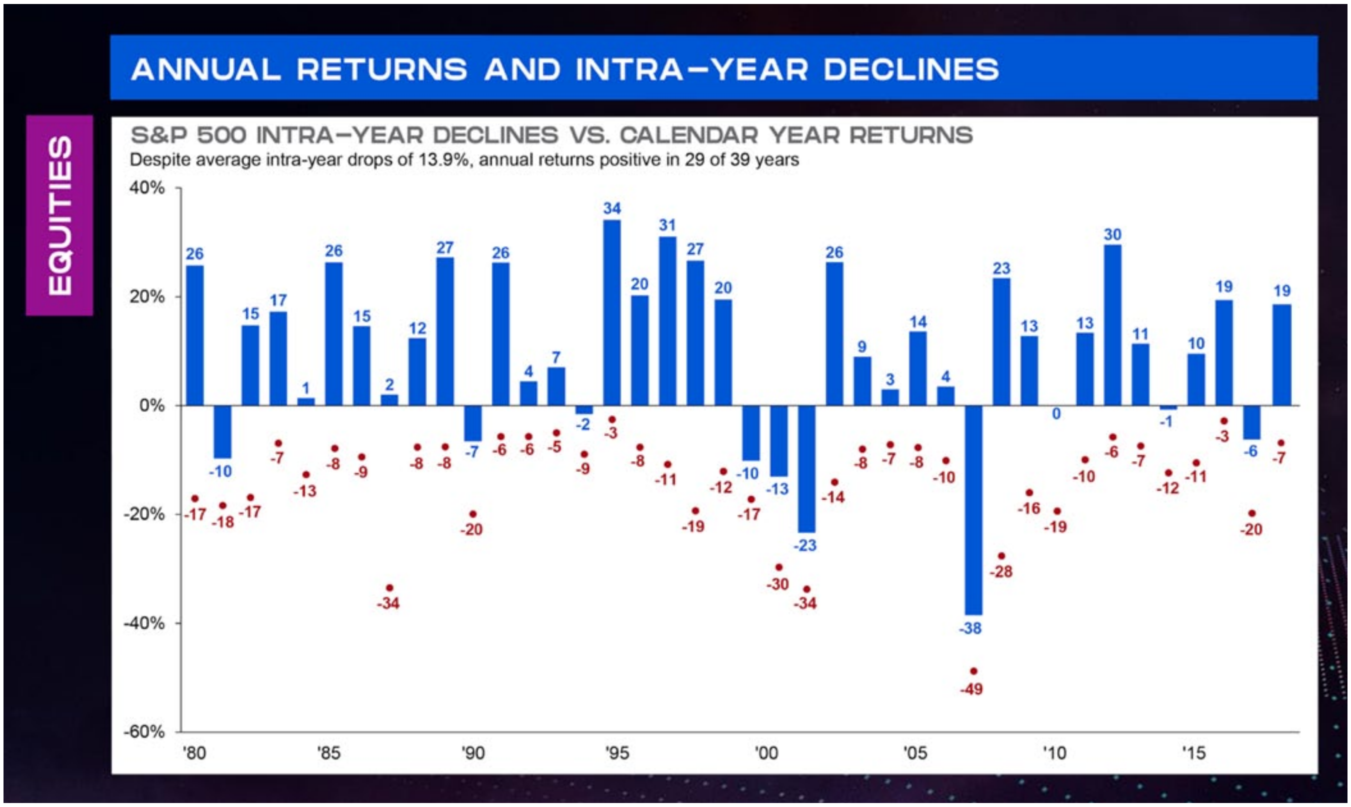
WAGES AND UNEMPLOYMENT



2020 FORECAST: S&P 500

FIRM	2020 S&P 500 TARGET
Morgan Stanley	3,000
UBS	3,000
Bank of America Merrill Lynch	3,300
Citigroup	3,300
Canaccord Genuity	3,350
BMO	3,400
Goldman Sachs	3,400
Credit Suisse	3,425
GROUP AVERAGE	3,272

KEEPING PERSPECTIVE IS KEY



The Steps You Need to Take:

- Keep me updated with any important changes you have.
- Immediately let me know about any concerns you have regarding your investments.
- Always make sure your legal and financial documents are up-to-date.
- If you do not have a current financial plan in place, contact me.

The Steps I Will Take:

- Keep you informed through regular communication.
- Manage your investments with your Commander's Intent and personalized strategy in mind.
- Continue to monitor any market changes and make smart adjustments when necessary.

Unsure of your Risk Tolerance Group?

We have a new and improved sophisticated yet simple tool.
Click here to have your Risk Tolerance updated.

Resources:

Alpha-Track™

No longer do investors have to rely on outdated financial plans that reflect their financial situation at a particular point in the past. Spending, saving, and markets are constantly changing and so is your financial outlook. Alpha-Track™ tracks and monitors your financial outlook on a daily basis. ***Available to clients only*

Check out our Resources page at Alphavest.com and explore the many ways in which we are empowering investors.

A Snapshot of What's There:

Perfect Day Connect. Liberate your life, relationships, and business in just 21-days with the PerfectDay Connect e-course.

FINRA Advisor Background check. FINRA reports that only a small percentage of investors check their advisor's record before making a switch. We run background checks on our employees, our childcare providers—why not run one, it's FREE—on the person who manages your money? Rest assured our record is spotless **(click here for Cokie's U4)**. The important feature of the report is that it will indicate "NO DISCLOSURES," which means no fraud or investor complaints.

Cokie Berenyi has been in financial services and serving the needs of individual and institutional clients and entrepreneurs since 1996. She is the founder of Alphavest, an industry pioneer that is right-sizing Wall Street one client at a time. She also is the author of *Perfect Day* and *The Liberated Investor*.

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