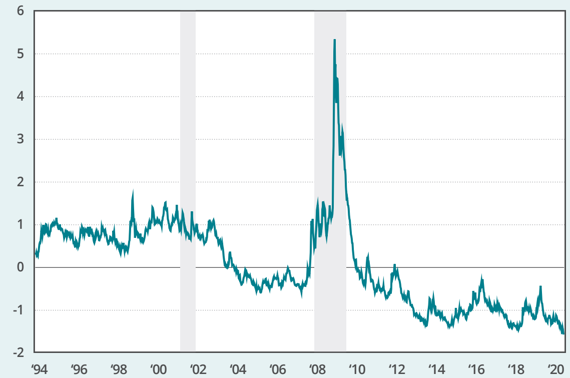
One thing we shouldn't be stressed about

> **Dow Jones plunges most since 2008 on coronavirus fears**
>
> *The Dow, S&P 500 and Nasdaq all tumbled more than 4% Thursday.*

Last week was an exceptionally difficult week for risk assets, emphasized by Thursday's record 1,192 point drop in the Dow Jones Industrial Average—a selloff sparked by growing concern that the Coronavirus could prove to carry a greater weight on global growth than originally thought. Further—and not to pick sides on the political front—the ascendancy of the Sanders campaign became another concerning point for many on Wall Street, given the candidate's proposed policies generally viewed as negative for the markets. It has been a stressful several days, to say the least. There are ways we can all best navigate this stressful stretch while maintaining a proper perspective about the market. Our advice focuses on what we know about the dynamics that ultimately drive risk assets: monetary policy, fiscal policy, and economic fundamentals. For now, the Federal Reserve is not only not interested in raising interest rates, but is also likely to lower interest rates again if the Coronavirus isn't soon contained, the Federal tax code and regulatory construct remain supportive of growth and Federal deficit spending is an economic tailwind, while the linchpin of our economy—the US consumer—is in very good shape, aided by low unemployment, low gasoline prices, and a high savings rate. All this taken together, leaves us more optimistic than not on the outlook for the US economy and US stocks. That said, we do continue to expect heightened market volatility—the Coronavirus and the upcoming election are known catalysts; however, drawdowns are part and parcel of investing and we don't see recent market weakness as the beginning of the end of our record bull market. Finally, if we need a data point to help alleviate the stress of the past several days, we could do worse than the St. Louis Fed Financial Stress Index. At a high level, the Index seeks to measure the degree of financial stress in the markets and is constructed from 18 weekly data series, including interest rates and yield spreads. Launched in 2010, the data set goes back to 1993. A reading of zero is viewed as representing normal financial market conditions, while values below zero and above zero suggest below average and above average financial market stress respectively. Recently, the Index hit an all-time low of (1.60). While it is a limited sample set, history shows we need to see a spike in financial stress in the markets before the real economy is at risk of recession.

St. Louis Fed Financial Stress Index



Stocks, bonds, and commodities (3/2/2020)

Security name	Last	QTD chg	YTD chg	12mo chg
S&P 500	2954.22	-8.56%	-8.56%	5.37%
MSCI AC World ex USA	269.78	-10.57%	-10.57%	-3.59%
MSCI EAFE	1809.71	-11.16%	-11.16%	-3.66%
MSCI EM	1005.52	-9.79%	-9.79%	-4.38%
Bloomberg Barclays US Agg	109.07	3.28%	3.28%	8.60%
Crude Oil WTI	45.26	-25.88%	-25.88%	-18.89%
Natural Gas	1.70	-22.29%	-22.29%	-40.50%

Treasury rates (3/2/2020)

	Price	Yield
2Y	100.150 / 0.000	0.883
3Y	101.140 / 0.000	0.879
5Y	101.002 / 0.000	0.916
7Y	100.162 / 0.000	1.048
10Y	103.110 / 0.000	1.142
30Y	107.256 / 0.000	1.667

Weekly reports

This week

- ISM Manufacturing
- Nonfarm Payrolls

Last week

- Dallas Fed Index 1.2
- UofM Consumer Sentiment 101

Headline source: https://abcnews.go.com/Business/dow-jones-plummets-1000-points-amid-coronavirus-uncertainty/story?id=69264423. Chart source: Federal Reserve Bank of St. Louis.

Brinker Capital Market Barometer

FEBRUARY 2020

The weight of the evidence shifted even further into positive territory. The strong market rally following our November reallocation led portfolios to drift further overweight to risk, which is aligned with this view.

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum has strengthened
Trend				●	Trend remains supportive
Investor sentiment	←	●			Sentiment has reached excessive optimism levels
Seasonality				●	Seasonality not as constructive as in 4Q, but still positive

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy	→			●	Fiscal policy supportive in 2020
Monetary policy				●	Fed on pause but remains accommodative; global central banks easing
Inflation				●	Global inflation low and inflation expectations muted
Interest rate environment			●		US yield curve has un-inverted but remains flat through 5 years
Macroeconomic	→			●	Continued strength in US labor market; improvement on trade
Business sentiment		●			CEO confidence remains a concern; small biz confidence more positive
Consumer sentiment				●	Consumer confidence solid
Corporate earnings			●		Expect improvement in global earnings in 2020
Credit environment				●	Credit spreads tight; little signs of credit market stress

LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		US valuations > LT avgs but supported by low rates; more attractive ex-US
Business cycle			●		Longest expansion on record but also the slowest
Demographics			●		Mixed with US and emerging markets positive; developed intl negative