

Last Week's Economic/Market Summary – April 6, 2020

Data

- U.S. equity benchmarks ended a volatile week slightly down.
 - S&P 500 -2.0% Dow -2.7%, Russell 2000 -2.83%, Nasdaq -1.7%¹
 - The All-Country World Index declined 3.02%.¹
 - S&P 500 sub-sectors were mostly negative.
 - Energy, Consumer Staples, & Healthcare were the only positive sectors.¹
 - Utilities, Financials, & Real Estate led to the downside with losses over 6%.¹
 - The CBOE Volatility Index (VIX) dropped 28.6% to end at 46.8.¹

- US Treasury bonds were less volatile and ended the week slightly positive.
 - US 2yr -0.01% to 0.23%, US 10yr -0.08% to 0.59%, US 30yr -0.05% to 1.21%.¹
 - Lower credit fixed income sold off last week despite the Fed's support.

- Commodities as an aggregate asset class gained over 5% last week.
 - WTI Crude bounced higher by 31%.¹
 - Gold declined 0.5%.¹
 - The US Dollar index gained 2.35%.¹

- In our opinion, U.S. economic data was mixed last week.
 - Existing home sales increased in February...we're more interested in the March data.¹
 - The Dallas Fed's business activity index for manufacturing in Texas dropped to -70 in March, the lowest reading ever.¹

- An index of equities outside the US (MSCI EFA) sank roughly 2% last week.¹

¹ Source: Bloomberg – 4/3/20

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370

Conclusion

- US equity markets saw a volatile week come to an end lower as investors seem to remain unnerved by the expanding economic, medical, social, & psychological impact of Covid-19.
 - S&P 500 -2.0% Dow -2.7%, Russell 2000 -2.83%, Nasdaq -1.7%²
 - The small-cap tracking Russell 2000 lagged the other major benchmarks once again.
 - We continue to watch this area of the market as we believe it's a great gauge of the health of small-business in America & stimulus making its way into the economy.
 - In our opinion, the coronavirus crisis is spurring a historical and truly epic deleveraging by institutional investors and this could be seen in the volatility throughout March.
- S&P 500 sub-sectors were mixed but mostly negative.
 - Energy led to the upside on the back of oil prices jumping higher.
 - Oil had its largest one week gain on record as a result of Saudi Arabia & Russia allegedly being close to an agreement on a production cut.²
 - We remind everyone that even with this jump, shares of the largest Energy sector tracking ETF/index is still down over 50% year-to-date.²
 - This means it needs to rise over 100% or double to get back to breakeven.
 - Additionally, this is happening as capital expenditure plans for the entire Energy complex has dropped to levels not seen since 2009.²
 - Utilities, Financials, & Real Estate led to the downside.²
 - Financials are down in excess of 36% year-to-date.²
 - We caution investors from overloading on this area of the market as low interest rates may continue to hamper banks from returning to peak profits.
 - The volatility index (VIX) finished the week sharply lower; down 28.6% at 46.8.²
 - March of this year proved to be the most volatile month for equities on record.
 - The average daily move in March was 4.8%!²
 - There was only 1 day in which the S&P 500 did not move more than 1%.²
 - In our opinion, this historic volatility has created some potential long-term opportunities for investors willing to strike/add equities when it might feel a little uncomfortable to do so.
 - Non-Treasury areas of the market continue to feel downside pressure despite the Fed's support.
 - Specifically: High-yield, Biz Development Cos, Leveraged Loans.²
 - We're paying special attention to the downgrades that are happening in the bond market.
 - Investment Grade bonds were downgraded at a record pace last week as through mid-week, over \$110 billion of bonds saw their ratings lowered.²
 - This pushes these bonds out of the Investment Grade rating and as such, index investments are forced to sell them...creating a snowball effect to their prices.

Ryan A. Mummy, CFP®, AIF® - Chief Investment Officer

Contact: 828/855-9400 or info@CIASonline.com or rmummy@bloomberg.net

² Source: Bloomberg – 4/3/20

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370