



In this week's Highlights, Ryan Grabinski suggests the cure is more detrimental than the virus, policymakers finally get the urgency, and bottoming is a process for the markets.

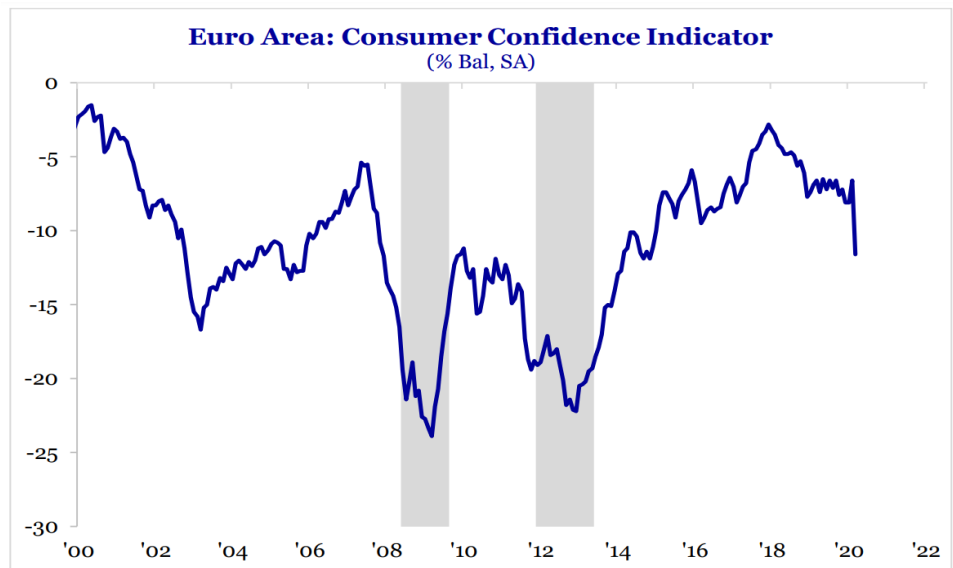


Ryan Grabinski
Equity Strategist

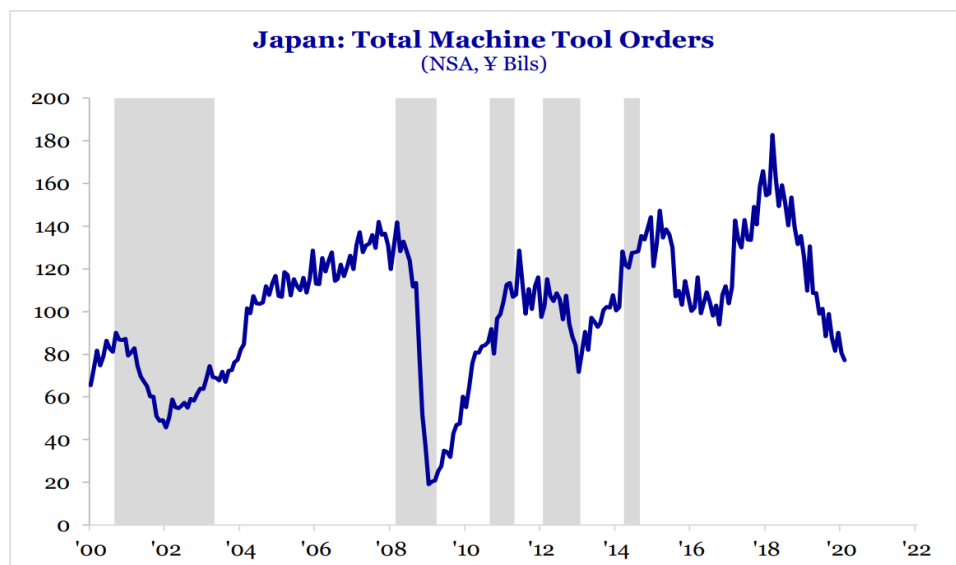
rgrabinski@strategasrp.com

The Cure to the Virus Is Detrimental To the Economy

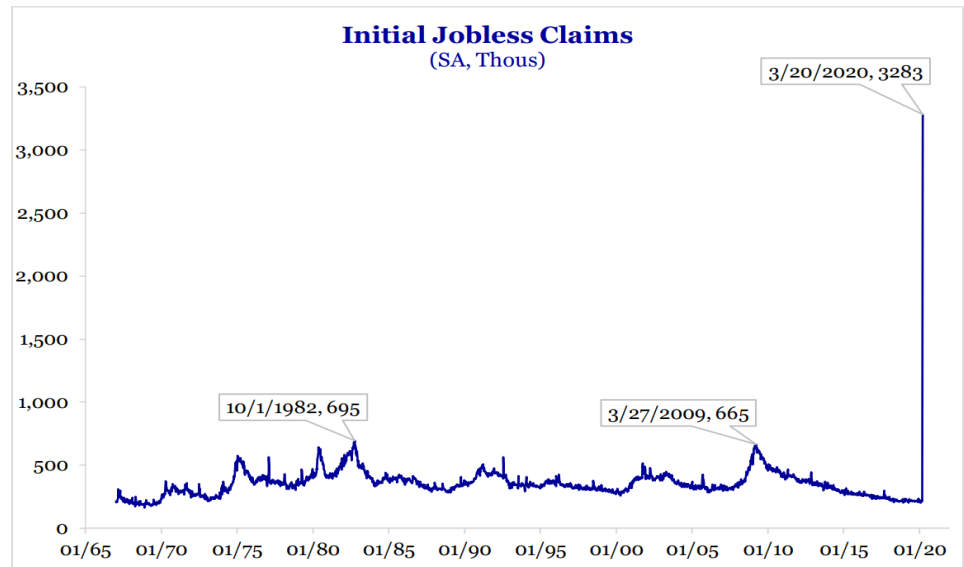
- Global economic data is going to be very weak in March, which will likely continue into April and maybe even May. Euro Area consumer confidence is plummeting.



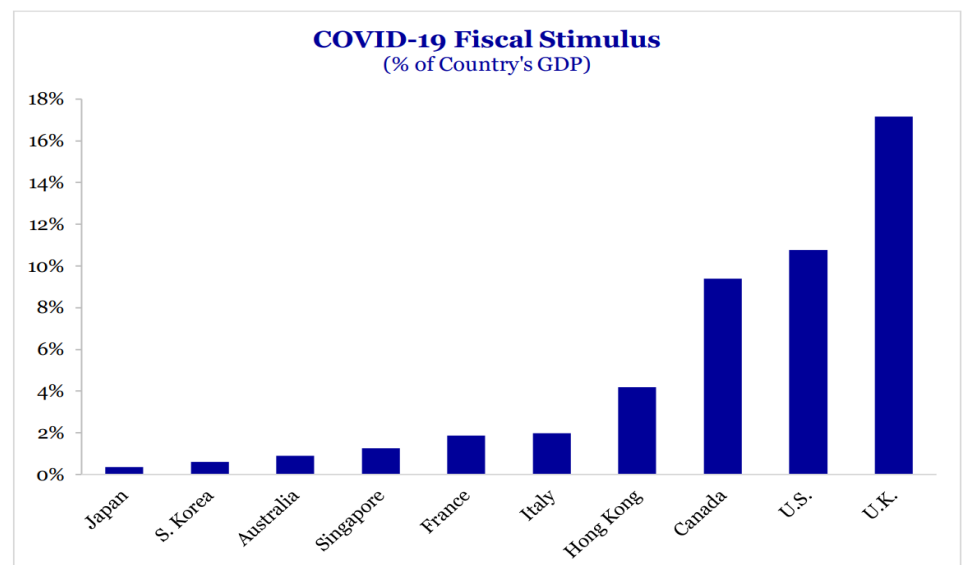
- While Japanese machine tool orders were in a downtrend, they continue to move lower and will likely do so for the near future.



- Jobless claims in the U.S. saw a massive spike. It is likely to get worse before it will get better.

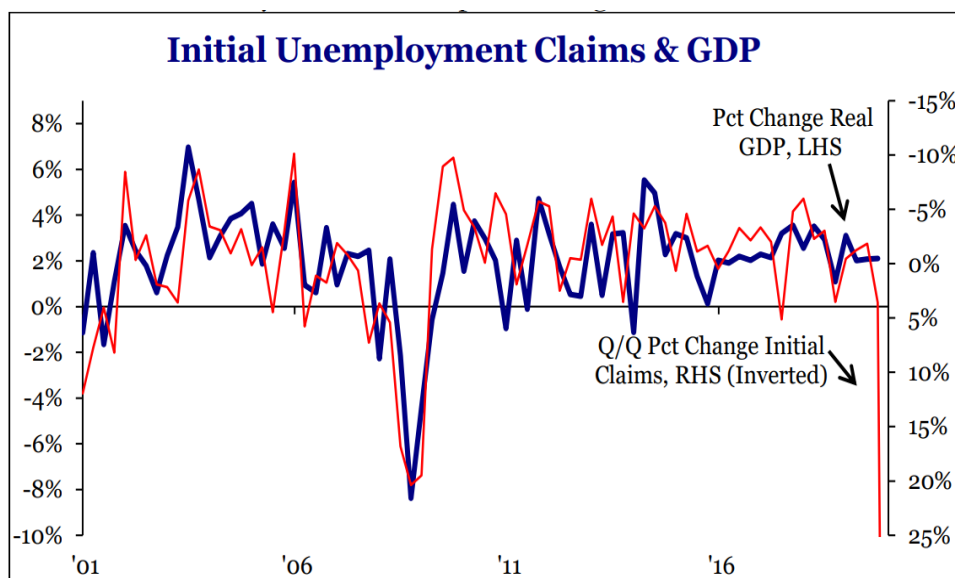


- The amount of fiscal stimulus that is being implemented in response to the COVID-19 is unprecedented. We have to hope that the policies put in place will be enough to help improve economic data once the health concerns abate.

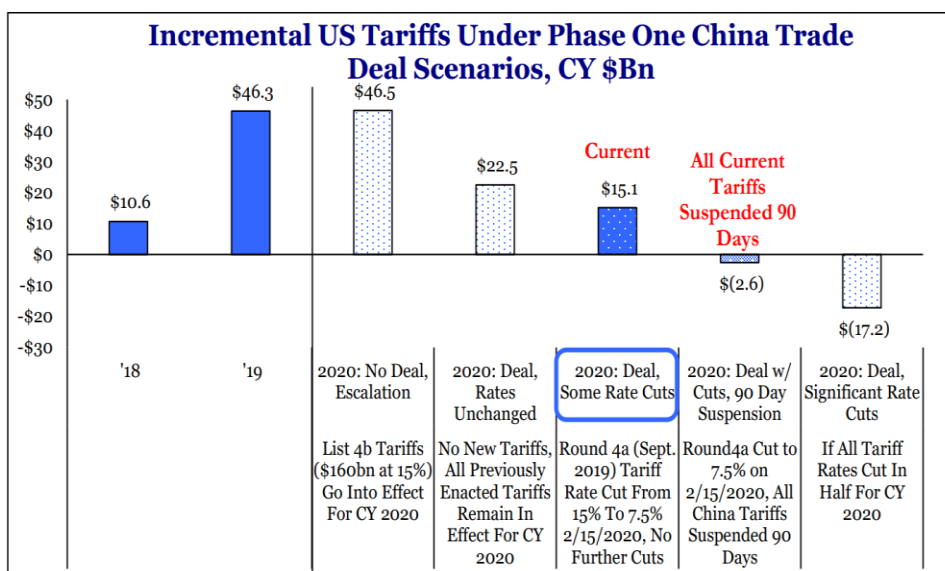


Policy Makers May Finally Be Acting With a Sense of Urgency

- After seeing initial claims plummet and with GDP set to drop significantly as well, policymakers may finally get the message about just how dire the situation is becoming.



- While Congress continues to work to pass its bazooka fiscal stimulus bill and the Fed uses all its tools to ensure liquidity, the Administration is looking at what powers it has to try to prevent a recession. Trump could cut tariffs without an act of Congress, but has recently shunned the idea. A different idea is to temporarily suspend or delay these tariffs.



Bottoming Is a Process and It May Take Some Time

- On average, the market bottoms about four months before a recession ends. At this point, we do not have any official data that tells us we are in a recession; never before has the government told consumers to not spend money.

| Economic Recessions & Market Bottoms | | | | |
|--------------------------------------|---------------|-------------------------------|---------------|-----------------|
| Recession Start | Recession End | Recession Length In Months | Market Bottom | Conclusion |
| Aug '29 | Mar '33 | 43 | 6/1/1932 | 9 Months Before |
| May '37 | Jun '38 | 13 | 3/31/1938 | 3 Months Before |
| Feb '45 | Oct '45 | 8 | 3/26/1945 | 7 Months Before |
| Nov '48 | Oct '49 | 11 | 6/13/1949 | 4 Months Before |
| Jul '53 | May '54 | 10 | 9/14/1953 | 8 Months Before |
| Aug '57 | Apr '58 | 7 | 10/22/1957 | 6 Months Before |
| Apr '60 | Feb '61 | 9 | 10/25/1960 | 4 Months Before |
| Dec '69 | Nov '70 | 10 | 5/26/1970 | 6 Months Before |
| Nov '73 | Mar '75 | 16 | 10/3/1974 | 5 Months Before |
| Jan '80 | Jul '80 | 6 | 3/27/1980 | 4 Months Before |
| Jul '81 | Nov '82 | 15 | 8/12/1982 | 3 Months Before |
| Jul '90 | Mar '91 | 8 | 10/11/1990 | 5 Months Before |
| Mar '01 | Nov '01 | 7 | 10/9/2002 | 11 Months After |
| Dec '07 | Jun '09 | 17 | 3/9/2009 | 3 Months Before |
| Average | | 13 Months | Average | 4 Months Before |

- *Institutional Investor* survey data now shows that there are more bears than bulls. When combined with historical oversold conditions like the ones that existed earlier this week, you usually get a bounce in the market.

| Forward S&P 500 Performance When % Bears > % Bulls and Fewer than 10% of Stocks Above 200-Day Moving Average | | | | | |
|--|-----------|-----------|-----------------|-----------|------------|
| Date | % Bullish | % Bearish | % Above 200-Day | +6 Months | +12 Months |
| 10/23/1987 | 26% | 44% | 3% | 5% | 14% |
| 10/10/2008 | 22% | 53% | 3% | -5% | 19% |
| 9/30/2011 | 34% | 45% | 9% | 24% | 27% |
| 3/25/2020 | 30% | 42% | 5% | ? | ? |
| | | | Average | 13% | 25% |

- We have gotten many questions about what we are watching and what are the longer-term impacts of the virus. Below is the list we came up with:

10 Indicators We Are Watching Closely:

1. Copper
2. Oil
3. Yield Curve
4. Financial Conditions Index
5. Credit Spreads
6. Mortgage Refi Activity
7. Unemployment Claims
8. School Closings
9. Corporate Travel
10. Corporate Guidance

Potentially Negative For:

1. Commercial real estate
2. High-priced private education
3. Orthodox views of virtues of globalization
4. Open borders
5. Chinese economic growth & Chinese leadership
6. Russia & Saudi Arabia
7. Share repurchases
8. Alternative energy
9. Illiquid alternative investment companies/vehicles
10. Small government
11. The Eurozone

Potentially Positive For:

1. Domestic manufacturing
2. Online learning
3. Seemingly effective political incumbents
4. Domestic oil production (long-term)
5. Large government
6. On-shoring, particularly pharmaceutical production
7. Populism/nationalism
8. Cash
9. Gold

IMPORTANT DISCLOSURES

This communication was prepared by Strategas Asset Management, LLC (“we” or “us”). Recipients of this communication may not distribute it to others without our express prior consent. This communication is provided for informational purposes only and is not an offer, recommendation, or solicitation to buy or sell any security. This communication does not constitute, nor should it be regarded as investment research or a research report or securities recommendation, and it does not provide information reasonably sufficient upon which to base an investment decision. This is not a complete analysis of every material fact regarding any company, industry or security. Additional analysis would be required to make an investment decision. This communication is not based on the investment objectives, strategies, goals, financial circumstances, needs or risk tolerance of any particular client and is not presented as suitable to any other particular client.

For investors subject to MiFID II (European Directive 2014/65/EU and related Delegated Directives): We classify the intended recipients of this communication as “professional clients” or “eligible counterparties” with the meaning of MiFID II and the rules of the U.K. Financial Conduct Authority. The contents of this report are not provided on an independent basis and are not “investment advice” or “personal recommendations” within the meaning of MiFID II and the rules of the U.K. Financial Conduct Authority.

The information in this communication has been obtained from sources we consider to be reliable, but we cannot guarantee its accuracy. The information is current only as of the date of this communication, and we do not undertake to update or revise such information following such date. To the extent that any securities or their issuers are included in this communication, we do not undertake to provide any information about such securities or their issuers in the future. We do not follow, cover, or provide any fundamental or technical analyses, investment ratings, price targets, financial models or other guidance on any particular securities or companies. Further, to the extent that any securities or their issuers are included in this communication, each person responsible for the content included in this communication certifies that any views expressed with respect to such securities or their issuers accurately reflect his or her personal views about the same and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this communication. This communication is provided on a “where is, as is” basis, and we expressly disclaim any liability for any losses or other consequences of any person’s use of or reliance on the information contained in this communication.

Strategas Asset Management, LLC is an SEC-registered investment adviser and is affiliated with Strategas Securities, LLC, registered broker-dealer and FINRA member firm, as well as an SEC-registered investment adviser. Both are affiliated with Robert W. Baird & Co. Incorporated (“Baird”), a broker-dealer and FINRA member firm, although the firms conduct separate and distinct businesses. A complete listing of all applicable disclosures pertaining to Baird with respect to any individual companies mentioned in this communication can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/third-party-research-disclosures.aspx>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., PWM Research & Analytics, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Past performance is not a guarantee of future results.