# March 12, 2020

## Spectrum Investor®
## Special Edition Newsletter

SPECTRUM[SM]
INVESTMENT ADVISORS


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After hitting a new record high on February 19, 2020 the S&P 500 dropped into bear market territory for the first time in 11 years. Through March 12, the change in the S&P 500 was -23.22%.

**Why the big swing?**

**1. Strong momentum to start 2020:** The S&P 500 had been up 5% through February 19, after rising 29% in 2019, with high expectations for an improved economy in 2020.

**2. Coronavirus:** China responded to the virus with an unprecedented lock-down of a city of 11 million people (Wuhan) where it first broke out. Now countries around the world are facing similar challenges, taking historic measures to contain the virus.

**3. Oversupply of oil:** While oil demand slows in response to less travel related to the coronavirus (COVID-19), Saudi Arabia and Russia have increased production, sending prices lower. Lower oil prices will help consumers, but it will be a challenge for energy companies.

On March 12, the US Federal Reserve announced a $1 trillion package to support our economy. President Trump has also announced preliminary measures that are subject to approval from Congress.

**What should I do?** Make sure your portfolio matches your time horizon and risk tolerance. If you're in a portfolio that matches your risk tolerance and time horizon, as much as it may be tempting to act, often the best thing to do is stay the course.

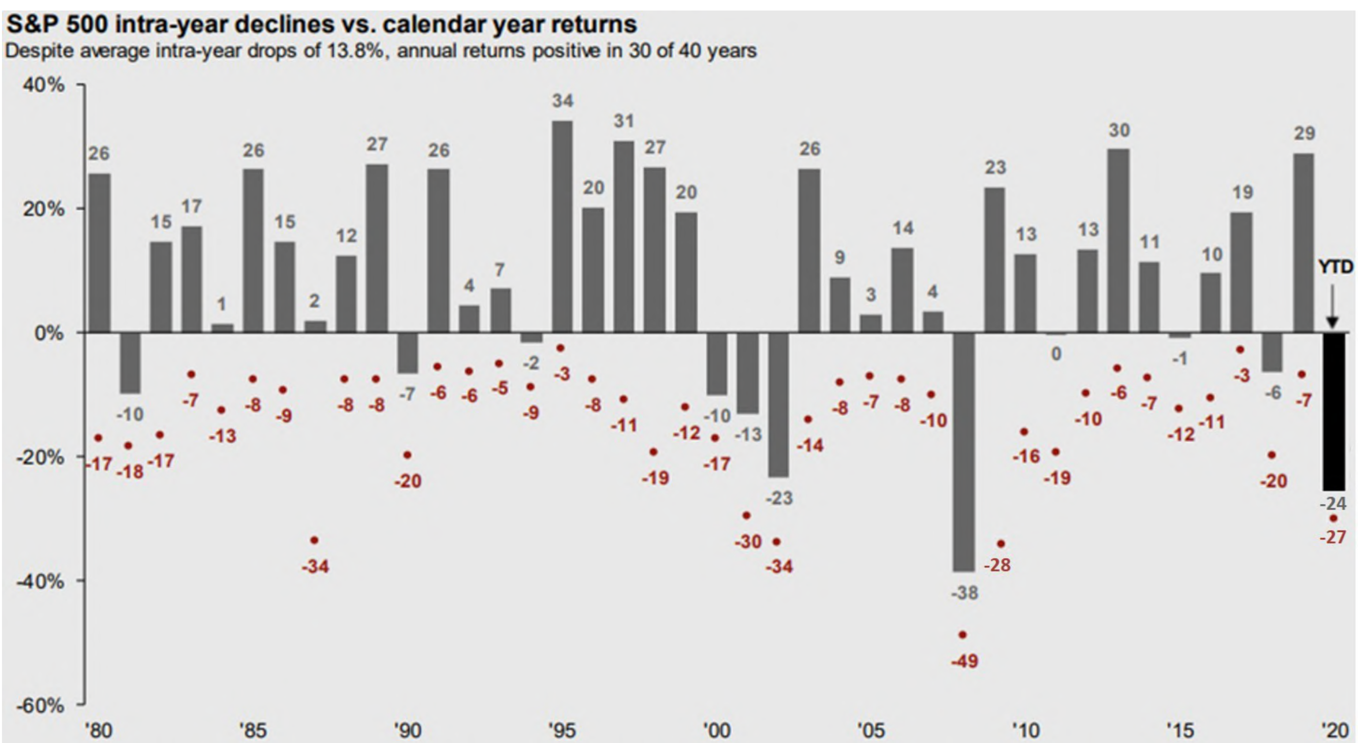
**We are here to help.** Your ability to sleep at night is a good indication of your risk tolerance. If you're feeling too much pressure, rather than completely selling out, consider reducing your stock exposure by 10-15% to help you stay the course for the long-run. Whether you are thinking of making a change, or need help to confirm your current portfolio, advisors on our team are available Monday through Friday 8-5pm central standard time. Reach us by phone (1-800-242-4735) or email: sia@spectruminvestor.com.

**Time horizon, not market timing.** The good news is, the trend in China is improving. According to the World Health Organization, China is now at its lowest level of new cases per day since tracking began in late January, providing an indication that the impact may be temporary. The problem is, we really don't know how long "temporary" will be. We will continue to see sharp moves lower, but also higher, as the world tries to figure it all out.

**It may be hard to believe, but three of the biggest single day gains in the S&P 500 in the last decade have happened this month, March of 2020.** It's too hard to time those kind of movements, it's much easier to focus on the long-term. Thinking about your time horizon means reducing your risk to stocks over time as you get closer to a point where the money will be needed.

The chart below shows the calendar year return of the S&P 500 in gray and the intra-year loss in red. Eight of the last 40 years have seen declines more than 20%. In spite of these downturns, the S&P 500 average annual return over the last 40 years is 11.53%. Adjust your exposure where you need to, stay the course where you can.

For more on the markets, including weekly updates, visit the **"Resources & Links"** tab on our website at www.spectruminvestor.com.




*Source: FactSet, Standard & Poor's, JPMorgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refer to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%. Past performance is not indicative of future returns. The S&P 500 Index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Guide to the Markets – US Data as of 3/12/20.*




Investment advice offered through Spectrum Investment Advisors, a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

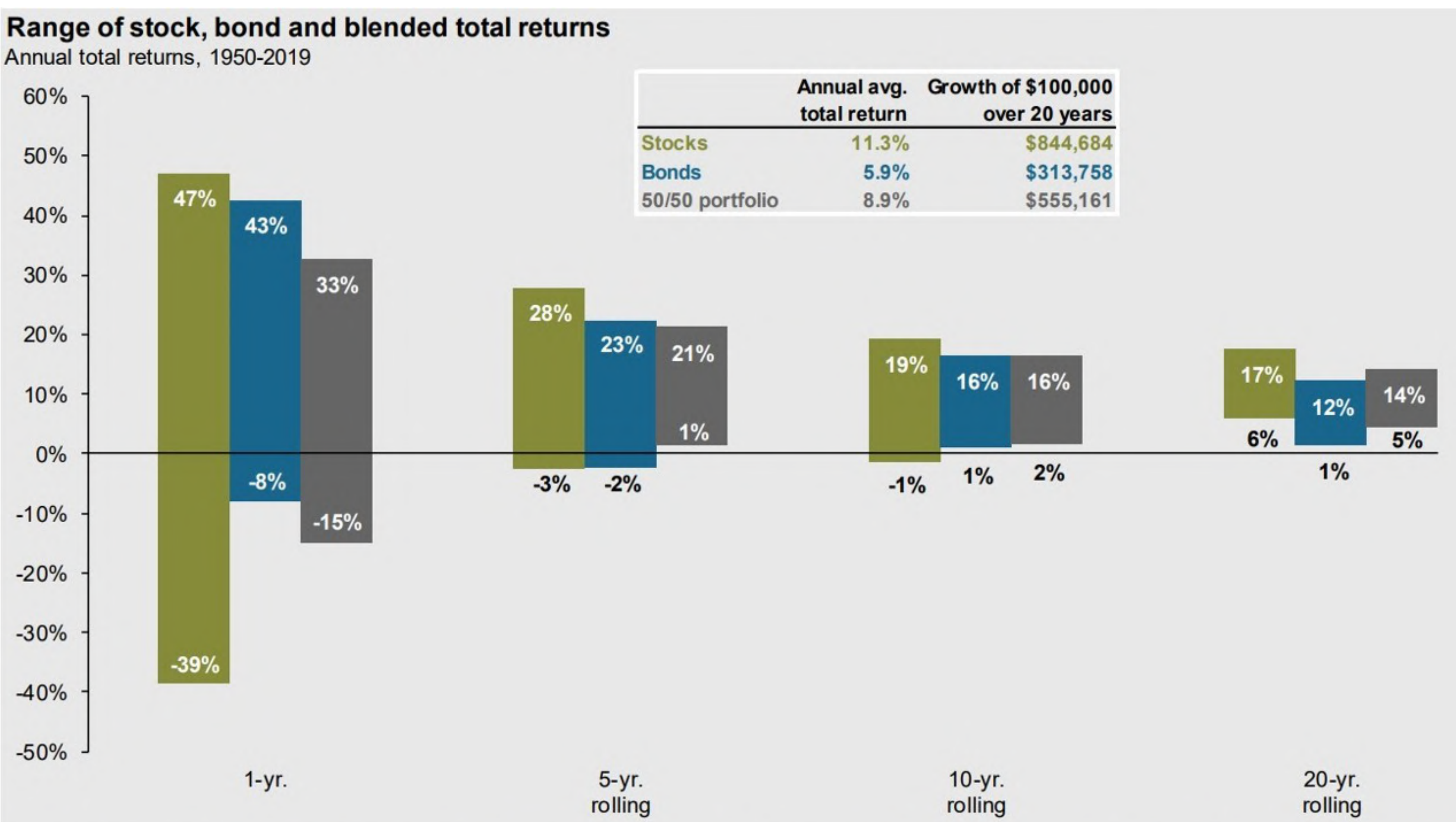
**Stay the course:** The longest bull market in history has now officially ended. We don't know when the bottom will finally arrive, but pulling out and missing the potential rebound can be costly. It's a big reason why we encourage investors to stay invested, even when it can be very uncomfortable to do so.

## 12-month performance following major declines

| S&P 500 biggest declines | Black Monday 8/25/87-12/4/87 | Gulf War 7/16/90-10/11/90 | Asia Crisis 7/17/98-9/31/98 | Tech Bubble 3/27/00-10/9/02 | Financial Crisis 10/9/07-3/9/09 | US Credit Downgrade 3/10/11-10/3/11 | Trade War 10/3/18-12/24/18 |
|---|---|---|---|---|---|---|---|
| **% decline** | **-33.5%** | **-19.9%** | **-19.3%** | **-49.0%** | **-56.8%** | **-19.0%** | **-19.6%** |
| **Next 12 months** | +21.4% | +29.1% | +37.9% | +33.7% | +68.6% | +32.0% | +37.1% |

Source: Morningstar as of 2/28/20. Returns are principal only not including dividends. U.S. stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can't invest directly in an index.

**Range of returns:** The green bar on the left in the chart below shows that the range of one year returns for stocks is wildly unpredictable. Yet overtime, returns in stocks trend toward a more narrow range. The gray bars show that by mixing stocks and bonds together, you can reduce the short-term risk and still produce good returns in the long-run. This is why we suggest balanced portfolios in both good times and bad.




Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, JPMorgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2019. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2019. Bloomberg Barclays Aggregate Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the US. Guide to the Markets – US Data as of 2/26/2020.