Aspen Wealth Management, Inc.
9300 W. 110th Street, Suite 680
Overland Park, KS 66210
913.491.0500
www.aspenwealth.com

Market Update
(all values as of 03.31.2020)

Stock Indices:

Dow Jones	21,917
S&P 500	2,584
Nasdaq	7,700

Bond Sector Yields:

2 Yr Treasury	0.23%
10 Yr Treasury	0.70%
10 Yr Municipal	1.44%
High Yield	9.24%

YTD Market Returns:

Dow Jones	-23.20%
S&P 500	-20.00%
Nasdaq	-14.18%
MSCI-EAFE	-23.43%
MSCI-Europe	-24.81%
MSCI-Pacific	-21.13%
MSCI-Emg Mkt	-23.87%
US Agg Bond	3.15%
US Corp Bond	-3.63%
US Gov't Bond	3.37%

Commodity Prices:

Gold	1,590
Silver	14.14
Oil (WTI)	20.14

Currencies:

Dollar / Euro	1.12
Dollar / Pound	1.23
Yen / Dollar	107.81
Dollar / Canadian	0.70

Macro Overview

With the coronavirus continuing to wreak havoc on markets and economies worldwide, governments and businesses are confronting an unprecedented environment. In response, massive fiscal and monetary stimulus efforts put into motion by the administration and the Federal Reserve are expected to provide unparalleled economic stimulus.

The World Health Organization (WHO) declared the COVID-19 virus a pandemic on March 11th, sending global equities further down and ending the longest bull run in U.S. history. **The 32-38% decline for all three major US equity indices, from record highs set in mid-February, qualified the rapid descent as an end to the bull market that began in March 2009**. The International Monetary Fund (IMF) determined that the global economy has fallen into a recession due to disrupted global supply chains and a drop in commerce induced by the virus outbreak. The duration of the government "stay-at-home" orders and the pace of re-entry towards normalcy worldwide will determine the depth and length of the recession.

The $2.2 trillion stimulus plan passed by Congress, known as the Cares Act, was the largest in U.S. history, providing critical funds to small business owners and individuals nationwide. Massive federal borrowing will fund the program in the form of U.S. government debt issuance expected to exceed $2 trillion in short-term Treasury bills this year alone.

Many economists and market analysts view this pandemic as a health crisis at its core, not a financial crisis, which has preceded nearly all previous recessions. Atlanta Fed President Raphael Bostic said that "this is a public health crisis and different from a typical recession". Dallas Fed President Robert Kaplan expressed some optimism by commenting "we've got a great chance to come out of this very strong". Some view government restrictions and mandatory closures as the reason behind crippled businesses and the economic contraction, not the coronavirus itself.

It is too soon to determine as to what the overall impact will be to the multitude of industries and companies over the next few months. Globalization is in question as global commerce has dwindled due to supply chain constraints, along with varying rules and restrictions among countries involving cross-border transactions.

The Treasury Department and the IRS announced an extension of the tax filing deadline from April 15, 2020 to July 15, 2020. Taxpayers will be able to defer income tax returns, tax payments, and IRA contributions until July 15th, without any penalties and interest. The deferment applies to all taxpayers, including individuals, businesses, estates, and corporations.

A historical spike in unemployment claims of nearly 10 million was brought about by mass layoffs as governmental entities mandated business closures and restrictions across the country. The immense jump in unemployment claims over just two weeks may worsen, yet expected to be buffeted by funds targeted for the unemployed as a result of the $2.2 trillion stimulus plan. The plan also encourages small businesses to re-hire employees as conditions warrant. Personal and business bankruptcies are expected to rise dramatically as a result of government mandated shutdowns, which have halted incomes for employers and employees

Equities Technically End Eleven Year Bull Market Run – Domestic Stock Market Overview

Equity markets experienced volatility in March not seen since the 1930s, with daily declines so sharp that rarely-used mechanisms to halt trading were activated by the exchanges on multiple occasions. The S&P 500 Index saw an average daily change of 5.2% in March, the most extreme volatility since November 1929.

Stocks had their worst quarter in years, with the S&P 500 Index losing 20% for the quarter ending March 31st, and the Dow Jones Industrial Index surrendering 23%. The bull market that began in March 2009 officially came to an end in March, after an 11-year run. The Dow Jones Industrial Index went from its high on Feb 12th to bear market territory, defined by a 20% decline, in only 19 trading sessions.

With massive stimulus plans now in place, the market's recovery has become contingent on the virus timeline for containment and effective testing. Analysts expect that once the virus outbreak has abated, any remaining stimulus efforts by the administration and the Federal Reserve will continue to act as a stimulus for the markets.

Number of Days From Recent High To Bear Market
Dow Jones Industrial Index

MARKET HIGH DATE	ENTER BEAR MARKET DATE	DECLINE
NOV 9, 1931	NOV 27, 1931	15
FEB 12, 2020	MAR 11, 2020	19
MAR 8, 1932	APR 5, 1932	23
SEPT 7, 1932	OCT 7, 1932	26
AUG 25, 1987	OCT 19, 1987	38

Signs of resilience at the end of March suggest that equities may regain their footing sometime soon. Overall valuations on stocks have fallen to levels that warrant accumulation of certain companies and industries. Eyes will be on earnings and quarterly performance releases over the next few weeks, as analysts determine how much of an impact the pandemic has thus had. (Sources: S&P, Dow Jones, Bloomberg)

Massive Stimulus Efforts Bring Yields To Historic Lows – Fixed Income Update

The incredible demand for short-term government bonds outstripped the supply issued by the U.S. Treasury in mid-March. When demand exceeds supply by such an extent, short-term rates drop, in turn sending money market rates lower. Assets have been pouring into money market funds as market conditions created a rush away from volatility. Demand for all US government bonds rose dramatically driving US government bond interest rates lower. Alternatively, demand for municipal, corporation, and mortgage bonds decline precipitously driving the price of these bonds down severely.

The Federal Reserve announced a reintroduction of its Quantitative Easing (QE) program to now include corporate bonds in addition to government agency and Treasury bonds. The program essentially entails the buying of an unlimited amount of bonds in the open market, thus stabilizing prices and volatile trading caused by a dislocation in the market. Intervention in the corporate bond market is an unprecedented action for the Federal Reserve, in addition to initiating programs to ensure sufficient access to credit for public and private entities such as cities, counties, municipalities, as well as corporations.

The Fed reduced its key lending rate to 0%-0.25% in March and announced that it would begin buying $700 billion in Treasury and mortgage bonds immediately. The Federal Reserve announced that it would also be buying selected corporate bonds and municipal securities in the open market in order to help stabilize broad fixed income sectors. Buying corporate and municipal bonds deviates from traditional Fed policies as a result of the current extraordinary conditions. (Sources: Federal Reserve, Treasury, Fitch)

$2.2 Trillion Stimulus Plan Highlights For Individuals & Small Businesses

The passage of the $2.2 trillion stimulus plan, known as the Coronavirus Aid, Relief and Economic Security Act (Cares Act), provides critical funds to various sectors of the economy in the form of payments, tax breaks, loans, and subsidies to individuals and small businesses nationwide.

As the largest economic relief package in U.S. history, the $2.2 trillion stimulus plan equates to 9% of GDP, which is roughly $21 trillion. The primary goal of the stimulus program is to alleviate personal and business bankruptcies brought about by government mandated shutdowns and restrictions.

Stimulus Payments: $1,200 for each eligible taxpayer earning up $75,000. Joint filers will receive $2,400 earning up to $150,000, based on 2019 tax returns or 2018 if not already filed. Stimulus payment amounts decline as income levels rise. For filers with income above those amounts, the payment amount is reduced by $5 for each $100 above the $75,000/$150,000 thresholds. Single filers with income exceeding $99,000 and $198,000 for joint filers with no children are not eligible. Social Security recipients who are otherwise not required to file a tax return are also eligible and will not be required to file a return.

Unemployment: An additional $600 per week for four months for unemployment, in addition to any state unemployment benefit.

Retirement Plan Withdrawals: Withdrawals from IRAs and company sponsored retirement plans such as 401k plans will not be imposed the 10% penalty up to $100,000 in distributions. The waiver applies to those who have been diagnosed with COVID-19 or have experienced financial hardship related to the virus through December 31, 2020. Distributions will still be taxable as income, but be spread out over three years.

401k Loans: The maximum 401k loan amount of $50,000 has been raised to $100,000 to accommodate larger loan needs. Loan limitations are based on 50% of a 401k account balance.

RMDs: Required Minimum Distributions (RMDs) on retirement accounts including IRAs have been waived for tax year 2020.

Mortgage Forbearance: Federally backed mortgage holders can forgo payments for six months under a forbearance program with no penalties or fees. These loans include FHA, VA, USDA, Fannie Mae and Freddie Mac loans only. A mortgage holder must be affected by COVID-19 and have approval from the lender.

Foreclosures: All foreclosure proceedings are halted until May 18, 2020.

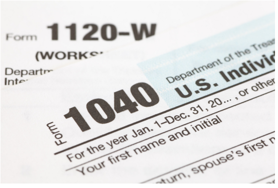
Student Loans: All federally-owned student loans will impose a 0% interest rate until September 30, 2020. Borrowers may also delay payments until September 30, 2020 via forbearance.

Paycheck Protection Program For Small Businesses: Lends up to $10 million to small businesses with fewer than 500 employees through the SBA. The allowable loan amount is calculated based on a company's average monthly payroll. The loan may be considered a grant since loans are expected to be forgiven if the funds are used for expenses such as payroll, mortgage interest payments, rent, and utilities.

(Sources: IRS; irs.gov/newsroom/economic-impact-payments, TaxPolicyCenter)

IRS Tax Filing Deadline Extended To July 15th – Tax Policy Update

The IRS has extended the tax filing and payment deadline from April 15, 2020 to July 15, 2020. The new extension deadline applies to individuals, fiduciaries (estate and trusts), small business owners, and corporations. Individuals do not need to be infected by the coronavirus or subject to quarantine in order to have the July 15th extension apply.



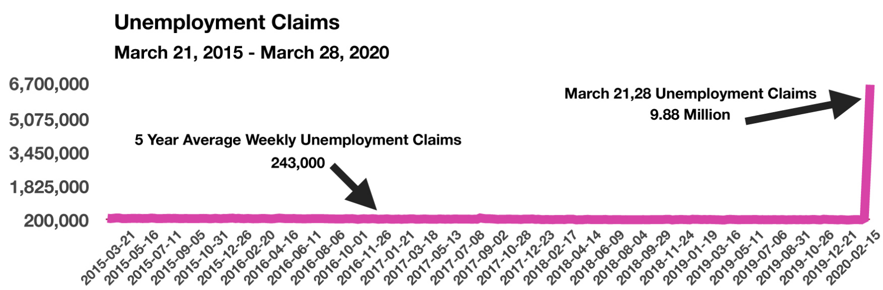
Taxpayers are also able to defer federal income tax payments and quarterly estimates due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed. The deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers in addition to those who pay self-employment tax. For individuals contributing to an IRA or IRA Roth, an HSA or MSA, the deadline of July 15th applies.

There is no form required or need to contact the IRS in order to have the July 15 deadline honored. The traditional tax filing date for extensions of October 15th remains the same. The IRS does urge taxpayers due a tax refund to apply sooner than the deadline in order to receive a refund check sooner. (Source: IRS; irs.gov/coronavirus, TaxPolicyCenter)

Nearly 10 Million Claim Unemployment In Just Two Weeks – Labor Market Update

The sudden loss of jobs and mass layoffs by businesses nationwide has brought about the single largest increase in unemployment claims in the country's history. What should have been another average week for unemployment claims of roughly 243,000 based over the past five years, turned into 3.28 million people applying for unemployment for the week ending March 21st, and another 6.6 million for the week ending March 28th.

Unemployment claims and the unemployment rate is expected to only increase over the upcoming reporting periods. Optimistically, the 50-year low of 3.5% for unemployment is a buffer for the anticipated increase in unemployment. There are varying estimates as to how high the unemployment rate may go as a result of the virus outbreak and its economic aftermath. Some economists project 25% unemployment, which was last seen during the Great Depression, while others expect 10-15%. Regardless of how high unemployment heads, many believe that it will be short-lived as companies and small businesses are encouraged and financially incentivized by the Cares Act to re-hire employees.



The Federal Reserve is preparing for a worst case scenario, estimating a possible 30% unemployment rate as noted by St Louis Fed President James Bullard. The concern is that as unemployment rapidly increases, consumer confidence may fall to levels not allowing for a viable economic recovery. (Sources: Dept.of Labor, Federal Reserve)