April 2020 Market Commentary

First and foremost, I want to extend our thoughts and prayers to every one of our clients as well as your loved ones as we work through these challenging times. I am extremely confident when I say that our country and our colleagues around the world will solve this global challenge and our desire is that this will soon be a story of the past.

In mid-March, the equity markets entered bear market territory for the first time since 2009. At its low, the S&P 500 was 35.41% off highs reached just 23 days prior. The speed at which the sell-off occurred was unprecedented and likely over exaggerated.

Policymakers have responded to the potential economic damage with extraordinary measures. The Federal Reserve has reduced interest rates to near zero, embarked upon unlimited quantitative easing and is backstopping an unprecedented array of markets that include commercial paper, money markets, commercial mortgages and municipal securities.

Additionally, a stimulus bill totaling $2 trillion has been signed into law. This law contains IRS checks, a major expansion in unemployment benefits, as well as broad combinations of grants, loans, and loan guarantees for businesses (large and small), hospitals, schools, and state and local governments.

These actions are designed to curtail the economic impact of the virus and ensure the economy is prepared to accelerate once mitigation measures are found.

Investing history has taught us that the best way forward is to stay the course; however, each client has different investment goals and needs. As a result, we executed our ETF sell strategy for those clients that elected to participate in that policy. We will evaluate the broader economic conditions and technical indications of each ETF sector to determine when best to reinvest those liquated funds. Our goal is to not time the market bottom but rather determine when technical and economic measures indicate an upward trending market. For those clients that elected to not sell, we will continue to rebalance to our target allocations. Again, we are not attempting to predict the bottom of this bear market but will take the opportunity to purchase equities at discount pricing.

We want to take this time to remind our clients that our core equity investment philosophy will remain focused on consistent dividend paying stocks. Dividends are one of the best indicators of the health of a business. For a company to pay out a dividend, and do so consistently, they must be in a place of financial strength and have a distinct competitive advantage. Companies, like those in our stable, maintain a long-term history of dividend payments and hikes. These stocks rarely make exciting flashy headlines, but we invest in them for their consistency which shines in periods like we find ourselves in today. The price of these stocks can fluctuate but the number of shares one owns doesn't change and the dividends continue to be paid quarterly.

Market volatility has the potential to create anxiety. If you're feeling uncertain about our economy or the market, please give us a call. It is times like this when we can be of the greatest benefit as we are in the position to share a great deal of information not readily available to the public.

Tom

www.tothfinancial.com
608 South King Street, Suite 300,
Leesburg, VA 20175
703.443.8684 *main* / 800.445.1880 *toll free* / 703.669.4577 *fax*