

Why Mark Mobius says the stock market hasn't seen an 'absolute bottom' yet

'I don't think we're at the absolute bottom yet because the implications of this shutdown are incredible.'

Emerging-markets investing pioneer Mark Mobius made those remarks Tuesday in an interview with CNBC, putting him in the investing camp that expects an inevitable cascade of brutal economic data and corporate earnings hasn't been fully discounted by investors.

Mobius, who founded Mobius Capital Partners in 2018 after a three-decade run at Franklin Templeton Investments [Click here to read more.](#)



Buffett's Top Priority Right Now Is Liquidity, Not Shopping



(Yahoo) Billionaire investor Warren Buffett is prioritizing caution and safety during the coronavirus pandemic to best protect its investors, his right-hand man Charlie Munger told The Wall Street Journal in an interview.

Buffett wants to keep Berkshire Hathaway Inc. "safe" for its investors who have 90% of their net worth invested in the stock, Munger, Berkshire's 96-year-old vice chairman, told WSJ.

The firm's top priority is to weather the storm and emerge "with a whole lot of liquidity

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QUOTE OF THE WEEK

"If you're too rigid in your thinking you may miss some wonderful opportunities for storytelling."

-- Vince Gilligan

Taking a comprehensive look at the overall current stock market

Taking a comprehensive look at the overall current stock market, you can see the chart below representing eight major indices and their returns through the week ending April 17th, 2020. In a truly diversified portfolio, the portfolio's total return is determined by the performance of all of the individual positions in combination – not individually.

So, understanding the combined overall performance of the indices below, simply average the 8 indices to get a better overall picture of the market. The combined average of all 8 indices is -3.08% year to date.

<u>Index</u>	<u>Year-to-Date (%)</u>
Morningstar Multi Alternative Index (MSTVX)	-3.18%
Barclay US Agg Bond Index (AGG)	4.06%
DoubleLine Total Return (DBLTX)	-0.65%
BlackRock 40/60 (BIMPX)	-3.95%
BlackRock 60/40 (BAGPX)	-7.42%
40/60 S&P 500/ Barclay AGG	-2.27%
60/40 S&P 500/ Barclays AGG	-5.43%
Vanguard Balanced Index Inv (VBINX)	-5.76%

Term of the Week:

Compound interest

Compound interest is interest on the amount of money you have deposited or borrowed.

When you're investing or saving, compound interest is earned on the amount you deposited, plus any interest you've accumulated over time. However, when you're borrowing, compound interest is charged on the original amount you were loaned, as well as the interest charges that are added to your outstanding balance over time.

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Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

Global Equities: US equities ended higher after optimism surrounding a potential re-opening led to a late week rally after daily whipsaws of pessimism induced by the historic nature of the economic damage. Consumer stocks and healthcare joined the technology sector in leading the S&P 500 and the Dow Jones Industrial Average to weekly gains of 3.1% and 2.2%, respectively. Financial stocks lagged after painting a solemn picture of the US economy while kicking off a make-or-break earnings season. Emerging market stocks also performed well, as the iShares MSCI EM ETF (EEM) rose 2.6%, while international developed markets and the iShares MSCI EAFE ETF (EFA) lagged with a 0.3% weekly gain.

Fixed Income: The move in long-term yields was relatively subdued during the week, falling mid-week with equity weakness and then staying put as equities rallied on Friday. The yield on the 10-year US Treasury Note settled near 0.65% on the weekly close as the Fed stays active across the curve. Corporate bonds were mostly flat on the week, as both investment grade and high yield debt took a break from the recent rally from narrowing spreads versus Treasuries. Refinitiv Lipper reported large inflows of \$5.814 and \$7.663 billion into investment grade and high yield bond funds, respectively, during the week ended 4/15.

Commodities: Considerations by Saudi Arabia and Russia to expand the prior week's agreed production cuts were unable to halt the steady decline in oil prices during the week. Global demand is still incredibly weak as storage nears maximum capacity, causing spot prices to crater into the mid-teens and an unusual spread between later-month futures contracts that normally reflects storage costs. The oil price based on the US West Texas Intermediate benchmark felt the brunt of this impact, falling -20%, to \$18 per barrel. This widened the spread between the International Brent crude benchmark, which only dropped -10% during the week, settling just above \$28 per barrel.

WEEKLY ECONOMIC SUMMARY

Jobless Claims Still Spiking: Another 5.245 million people filed for unemployment benefits in the prior week, according to the US Department of Labor. There are still reports of people being unable to get through to their state's website to apply for relief as systems remain overwhelmed by the volume of people impacted by the battle against the spread of COVID-19. This brings the total amount of initial jobless claims to over 22 million since the shutdown began, reversing the total amount of jobs added since the end of the Great Financial Crisis, over 10 years ago.

Leading Economic Indicators Collapse: The IHS Markit Manufacturing Purchasing Managers Index fell into contraction territory, to 48.5, though the headline number masks the severity of the deterioration from the underlying components. A large increase in supplier delays, which usually signals strengthening demand, helped the headline number that would otherwise be in the low-to-mid 40s thanks to the steepest declines of output and new orders since the '08-'09 financial crisis. The gauges for employment and prices fell steeply, as well, with the COVID19 pandemic rightly taking the blame.

Q1 Earnings Season: Mega-cap financial corporations kicked off an extremely important earnings season by shedding light on the outlook for borrowing activity and credit conditions. The US' largest bank, JP Morgan Chase (JPM) released earnings of \$0.78 per share, versus \$2.65 for the same quarter last year. The big news, however, was the \$8.3 billion set-aside for future loan losses during the quarter, an increase of \$6.9 billion from the 4th quarter of 2019, signaling an expectation for large losses ahead. Wells Fargo & Co (WFC) managed to eke out a slight profit while also boosting its credit loss provision by \$3.1 billion to \$4 billion during the quarter. This was the theme from the major banks, while also noting the huge spike in requests for loans from the Fed's lending programs to small and medium sized businesses. JPM also noted during the week that it would be raising lending standards due to the weakened outlook, a move likely to be mimicked by other financial institutions despite being much better capitalized than during prior crises.

<https://www.hanlon.com/weekly-update/>

Current Model Allocations Separately Managed Accounts

HIM #3 - 33.33% Fund & 66.67% MM

HIM #8 – 100% Fund

HIM #25 – 100% Fund

HIM #22 – 67% Fund & 33% MM

HIM #12 – 100% Fund

Summary

In utilizing an approach that seeks to limit volatility, it is important to keep perspective of the activity in multiple asset classes. We seek to achieve superior risk-adjusted returns over a full market cycle to a traditional 60% equities / 40% bonds asset allocation. We do this by implementing global mandates of several tactical managers within different risk buckets. For those investors who are unwilling to stomach anything more than minimal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the Barclays Aggregate Bond Index.

At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up to date on what it all means, especially with how it relates to our private wealth managers and their models. With the market turmoil of the past week, on March 11th we entered a bear market for the first time since the financial crisis of 2008. A bear market is defined as a decline of 20% or more from recent highs. This bear market officially ends one of the longest bull markets in U.S. history, at 11 years. Keep in mind

we are in a much different environment than 2008. In 2008 we had a housing bubble fueled by incredibly risky lending practices. In other words, we had major systemic problems in our economy and markets. Today we are in a much different, but still challenging environment as the markets attempt to quantify the impact of the coronavirus on the global economy. We have discussed the possibility of a Black Swan event impacting markets, and the coronavirus appears to be that event.

Our managers have been hired based on our belief that they can accomplish a satisfying return over a full market cycle, -- while limiting risk in comparison to a traditional asset allocation approach. At Horter we continue to monitor the domestic markets and how our managers are actively managing their portfolios on a daily basis in response to the coronavirus concerns. We remind you there are opportunities to consider with all of our managers and our tactical models. Hopefully this recent market commentary is helpful and thanks for your continued trust and loyalty.

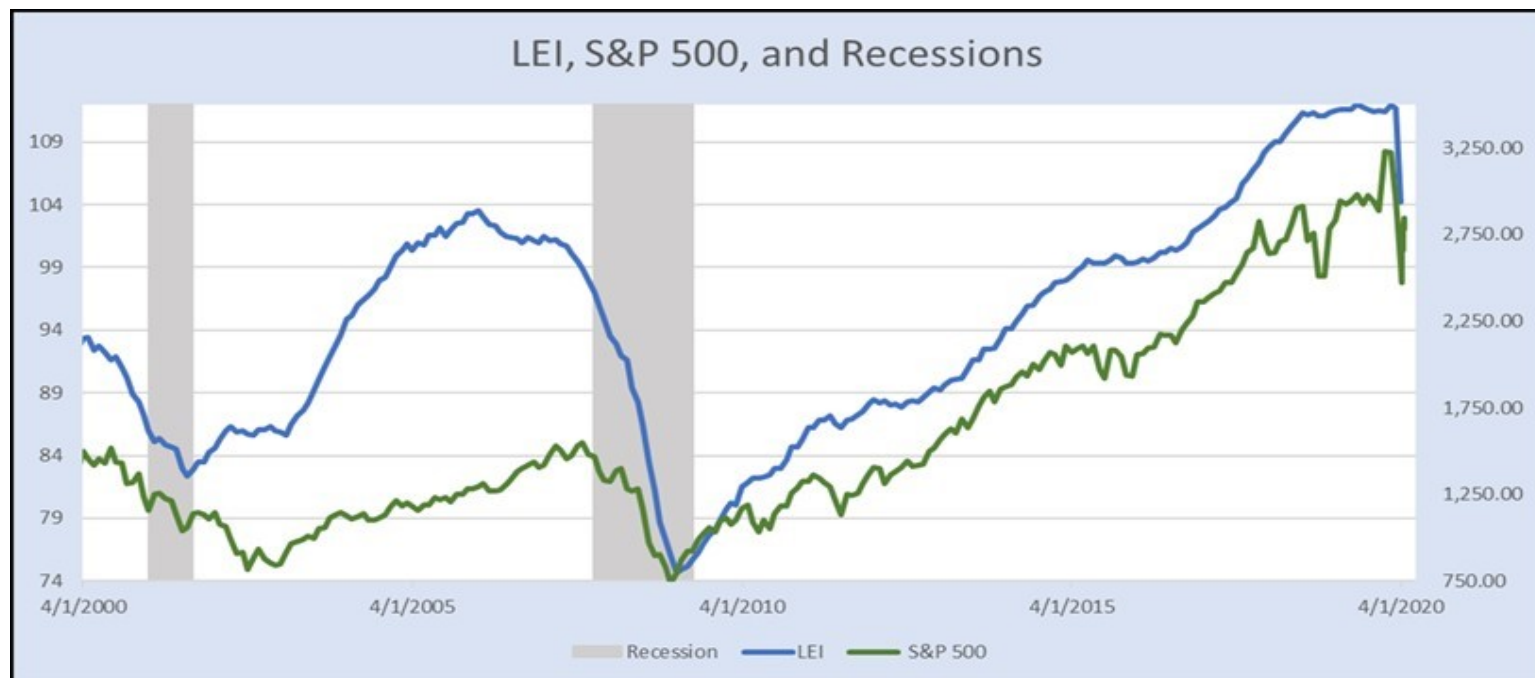


CHART OF THE WEEK

The Chart of the Week is a 20-year chart of the Conference Board Index of Leading Economic Indicators ("LEI", blue) overlaid with the large-cap US equity-focused S&P 500 Index (green), with prior recessions highlighted (gray). Composed from 10 indicators that have shown to foreshadow economic activity, the LEI had its single largest monthly drop in its 60-year history when it fell by -6.7% in March, highlighting the rapid extent of the damage to the US economy.

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