

Jobless claims: Another 4.427 million Americans file for unemployment benefits

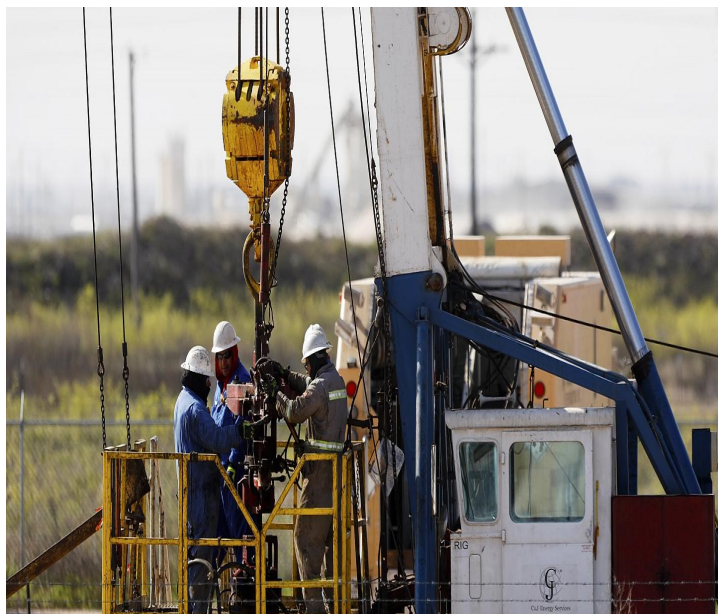
The coronavirus pandemic's impact has been rippling through the U.S. economy, and market participants got fresh data Thursday morning from the U.S. Labor Department reflecting the continued damage being done to the U.S. labor market.

For the week ending April 18, another 4.427 million Americans filed for unemployment benefits. Economists were expecting 4.5 million initial jobless claims to be filed for the week. The prior week's figure was revised lower to 5.237 million from the previously reported 5.245 million. Over the past five weeks, more than 26 million Americans have filed unemployment insurance claims.

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US oil prices tumble as world's largest ETF backs out



US oil prices fell heavily on Monday after the world's largest oil-backed exchange-traded fund said it would sell all its short-term contracts by the end of the month following pressure from regulators. West Texas Intermediate, the US oil price benchmark, tumbled 27.7 per cent to \$12.25 a barrel, following a regulatory filing by the United States Oil Fund saying it would sell all of its futures contracts for the delivery of oil in June — 20 per cent of its \$3.6bn portfolio — over a four-day period. The drop comes one week after US oil prices made an unprecedented dive below \$0

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QUOTE OF THE WEEK

"Be who you are and say what you feel because those who mind don't matter and those who matter don't mind."

-- Unknown

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 24th, 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 -3.35% year to date.

<u>Index</u>	<u>Year-to-Date (%)</u>
Morningstar Multi Alternative Index (MSTVX)	-2.99%
Barclay US Agg Bond Index (AGG)	4.15%
DoubleLine Total Return (DBLTX)	-0.37%
BlackRock 40/60 (BIMPX)	-4.44%
BlackRock 60/40 (BAGPX)	-8.09%
40/60 S&P 500/ Barclay AGG	-2.67%
60/40 S&P 500/ Barclays AGG	-6.08%
Vanguard Balanced Index Inv (VBINX)	-6.30%

Term of the Week:

12b-1 fee

is an annual marketing or distribution fee on a mutual fund. The 12b-1 fee is considered to be an operational expense and, as such, is included in a fund's expense ratio. It is generally between 0.25% and 0.75% (the maximum allowed) of a fund's net assets. The fee gets its name from a section of the Investment Company Act of 1940.

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Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

Global Equities: US equities ended the week slightly lower, bouncing around converging levels of support and resistance as earnings roll in without providing much clarity on what the post-lockdown future holds. Decimated energy equities actually led the major sectors in return this week, as the White House amped up hostile rhetoric regarding the Persian Gulf while also hinting at supplying financial support for struggling US energy companies. Still, the Dow Jones Industrial Average ended the week down around -1.9% while the S&P 500 finished with a -1.3% drop. International equities were down similarly, as the Emerging Market-focused iShares MSCI EM ETF (EEM) dropped -1.9%, and the Developed International iShares MSCI EAFE ETF (EFA) fell -1.0%.

Fixed Income: The US Treasury yield curve flattened during the week, as short-term yields climbed while the 10-Year US Treasury Note yield dropped 0.05% to 0.59%. Investment grade corporate bonds were flat-to-lower, while high yield bonds trailed equity returns as the iShares iBoxx US HY Corporate Bond ETF (HYG) dropped -3.4% during the week. Refinitiv Lipper reported more inflows of around \$2.2 billion each into investment grade and high yield bond funds during the week ended 4/22.

Commodities: It was a historic week in oil markets, as the price on the front-month oil futures contract traded close to -\$40 per barrel on the day prior to expiration as financial speculators attempted to close out their positions and found no bids. Those who normally have the capacity to accept delivery on the physical commodity were not in the market due to storage nearing complete capacity. The price on the new front-month June contract looked headed for the same fate until President Trump tweeted about an order to shoot down any Iranian boats that harass US ships, which apparently was enough rhetoric to stabilize the market. The US West Texas Intermediate benchmark ended the week down around \$1, near \$17 per barrel. The International Brent crude benchmark dropped from \$28 in the previous week, to finish just under \$22 per barrel.

WEEKLY ECONOMIC SUMMARY

Durable Goods Drop: The headline index for new durable goods orders dropped 14.4% to \$213.2 billion in March, the second largest drop since the US Census Bureau started keeping track of the figure nearly 30 years ago. By far the main reason for the steep decline was a large drop in demand for automobiles and aircraft, large-ticket items that when stripped out only led to a decline of 0.2% during the month. Every major category experienced a decline in new orders except for communications equipment, which saw a 3.7% bump as social distancing increased demand for remote work infrastructure.

Business Activity Plummets: Output contracted at the fastest pace in history, according to the IHS Markit Purchasing Managers' Index (PMI), as the preliminary flash composite reading dropped to 27.4 for the month of April versus the already contractionary 40.5 reading in March. The composite for the Services sector, accounting for approximately two-thirds of the US economy, fell to an all-time low of 27. The cancellation and postponement of orders led to firms reducing their workforce at a rate far exceeding anything seen before, echoing the devastatingly large weekly increases to jobless claims. Input prices were also reported as falling by the fastest in series history, with the savings reportedly passed on to customers in order to help spur demand.

Q1 Earnings Season: It was a mixed bag of earnings results during the week, with some obvious winners and losers showing their hand while most companies withdraw forward guidance due to uncertainty surrounding COVID19. Delta Airlines (DAL) actually surprised to the upside, losing less than expected despite the predictable collapse in revenue during the quarter as the nation began the lockdown. Capital One Financial (COF) had a larger than expected loss due to a \$3.6 billion boost to its loan loss reserve as the credit card issuer expects net charge-offs to rise more than this quarter's 2.72%. On the other end of the spectrum, Dominos Pizza (DPZ) added a 7.1% same store sales boost to their earnings beat while Netflix (NFLX) stock was bid up after reporting a whopping 16 million new subscribers during the quarter. <https://www.hanlon.com/weekly-update/>

Current Model Allocations Separately Managed Accounts

HIM #3 – 33.33% Fund and rest MM

HIM #8 – 100% Fund

HIM #25 – 100% Fund

HIM #22 – 33% Fund 67% MM

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 year-to-date chart of the S&P 500 Index (black), representing the performance of large cap US equities. The S&P bounce has run into resistance at the convergence of its 50-day moving average (blue) and 50% Fibonacci retracement level as earnings estimates continue to get revised lower amid uncertainty surrounding an economic re-opening.

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