



Price Returns

Index	Close	Week	YTD
Dow Jones Industrial Average	21,053	-2.7%	-26.2%
S&P 500 Index	2,489	-2.1%	-21.0%
NASDAQ	7,373	-1.7%	-17.8%
Russell 2000 Index	1,052	-7.1%	-36.9%
MSCI EAFE Index	1,507	-2.8%	-26.0%
10-yr Treasury Yield	0.60%	-0.1%	-1.3%
Oil (\$/bbl)	\$28.55	32.7%	-53.2%
Bonds*	\$114.42	-0.5%	2.9%

Source: Bloomberg, 04/03/20

*Bonds represented by the iShares U.S. Aggregate Bond ETF

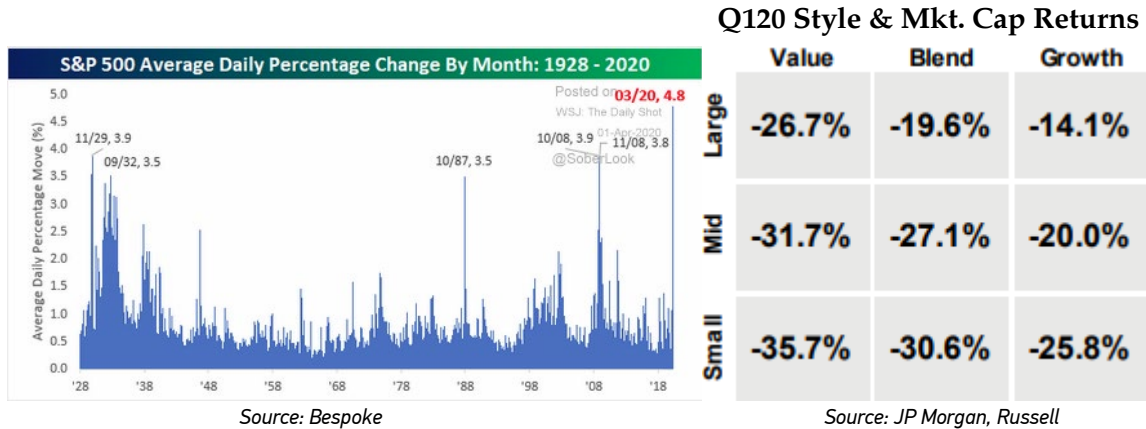
Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) fell -2.1% after a strong 10% bounce the week prior, as the ongoing COVID-19 crisis continued to impact investor sentiment. President Trump extended federal social distancing guidelines until April 30, and the White House projected 100k-240k deaths in the U.S. Concerns about the length and depth of a global recession increased, as several strategists downgraded their forecast of Q2 GDP contraction to -30% and initial jobless claims increased 6.65M in the week ended March 28. The dollar index was up ~2.5%, while Gold lost -0.5%. WTI crude had a relief rally of 32.7% as President Trump said he expects the Saudi Arabia/Russia price war to end
- Sector performance:
 - Energy (+5.4%) outperformed as the price of oil rose 32.7% for the week
 - Consumer staples (3.5%) outperformed with strength in big box retail, food, and tobacco stocks
 - Health care (+2.0%) outperformed with strength in large cap pharmaceuticals, with encouraging developments in testing and treatment products
 - Communication services (-1.3%) outperformed with strength in **Activision Blizzard** (+5.3%), **Verizon** (+1.9%), Netflix (+1.3%), & **Alphabet** (-1.6%)
 - Information technology (-2.0%) outperformed despite weakness in semiconductor equipment and select software stocks
 - Materials (-3.8%) underperformed with weakness in Sherwin-Williams (-8.6%), Ecolab (-6.5%), DuPont (-5.8%), and PPG Industries (-5.4%)
 - Industrials (-4.5%) underperformed with weakness in airlines, machinery, and building materials
 - Consumer discretionary (-4.7%) underperformed with weakness in department stores, specialty and apparel retail, hotel, autos, and homebuilders

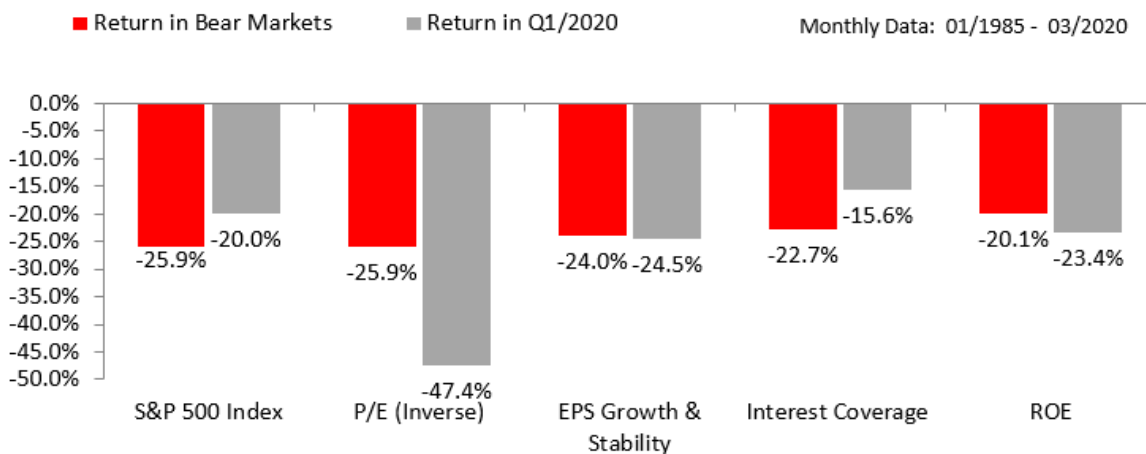


- REITs (-6.1%) underperformed with concerns around small businesses and consumers not paying rent and mortgage payments
- Financials (-6.8%) underperformed as banks fell
- Utilities (-7.1%) underperformed despite their historical defensiveness
- With March being the most volatile month on record, the S&P 500 index fell exactly 20.00% during the first quarter of 2020. Growth outperformed value, and large-caps outperformed small-caps in Q120



- Historically, lower valuations (P/E), higher EPS growth & stability, stronger interest coverage, and higher return on equity (ROE) are factors that have generated outperformance versus the S&P 500 Index during bear markets from 01/1985 – 03/2020. In Q12020, only the top decile of the S&P 500 interest coverage outperformed, while the lower P/E, higher EPS growth & stability, and higher ROE all underperformed the broad S&P 500

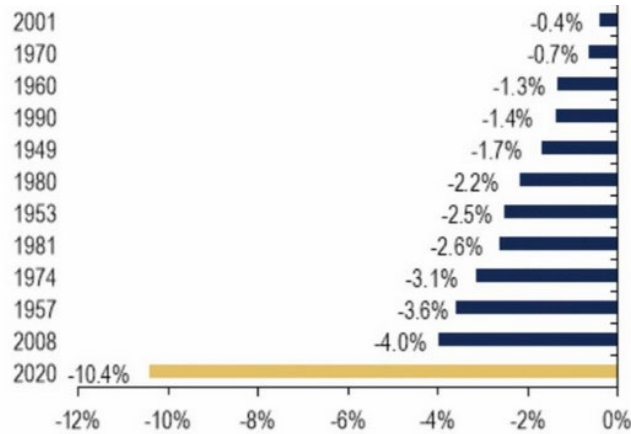
Annualized Return in Bear Markets and Q1/2020 for Top Decile of S&P 500 Index by Factor



- Investors remain concerned about the economic impact from COVID-19 including Bank of America, which now expects U.S GDP to decline over 10% for the entire year of 2020, which would be approximately 6.4% GDP percentage points worse than 2008's -4.0%

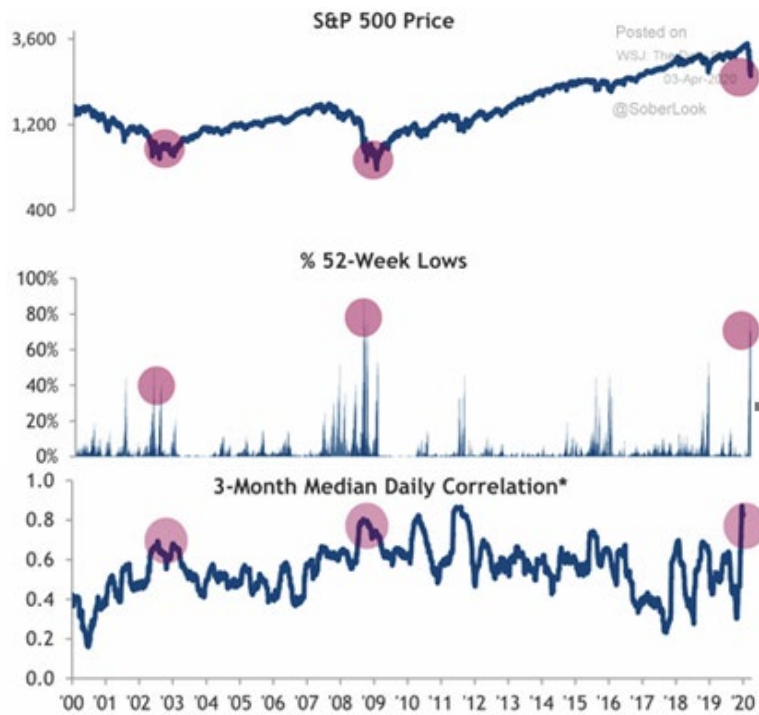


Cumulative Decline in Real GDP % in Previous Recessions (2020 is a BofA Forecast)



Source: BofA Global Research, Bureau of Economic Analysis

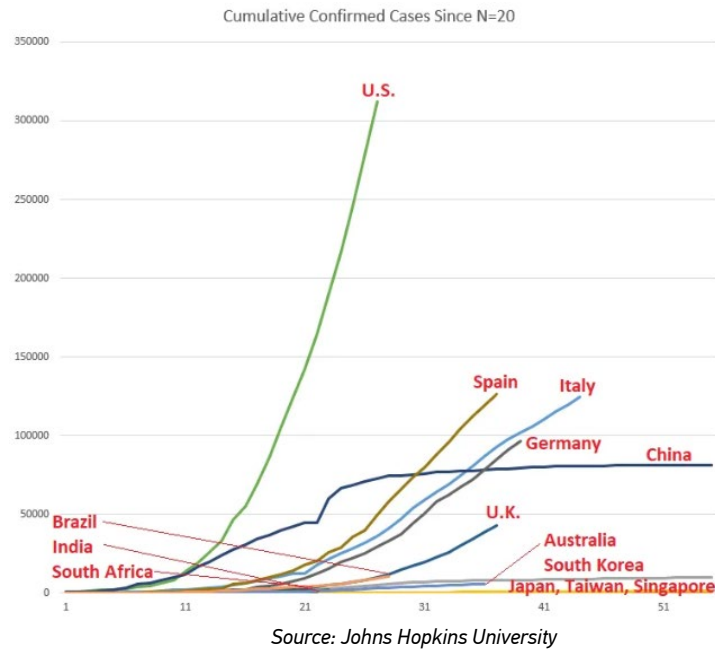
- Although it's extremely hard to predict the bottom of a bear market, indications of panic selling could signal a low, but maybe not *the* low, according to Truist Financial (formerly SunTrust Private Wealth Management)



Source: SunTrust IAG, Factset; *a correlation of 1 indicates stocks are trading together in the same direction, while 0 indicates stocks are moving independently of each other.

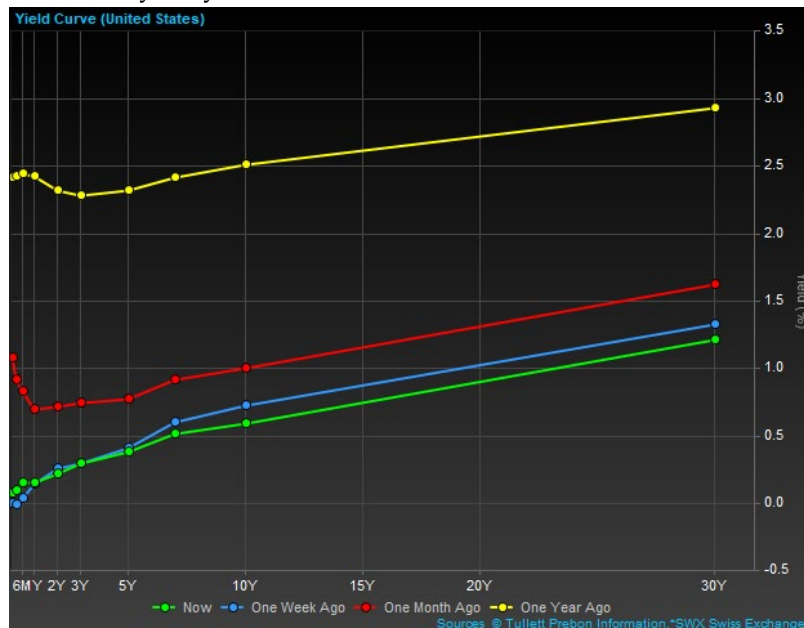
Source: SunTrust IAG, FactSet

- The cumulative number of confirmed COVID-19 cases in the U.S. (337,000+) is more than Spain & Italy combined, with limited signs of "flattening the curve" of new infections



Fixed Income Markets

- The price of government bonds rose, sending the yield of the 10-year Treasury bond from 0.73% to 0.59% in one week. The 10-year yield's record low of 0.54% was set on March 9, 2020



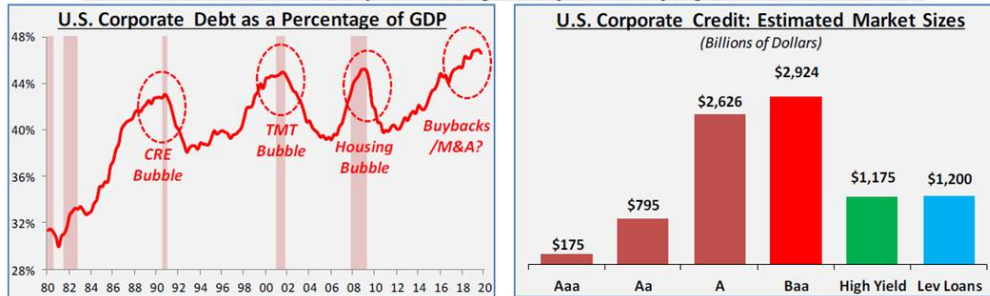
Source: FactSet

- Corporations issued a record \$260 billion of debt in March, according to Merrill Lynch
- The following charts show the rise in “barely investment grade” (“Baa” rated) corporate debt, much of which faces potential to be downgraded into “junk” or “high yield” status. That could result in forced



selling, as investment grade bond managers won't be permitted to hold debt that gets downgraded to junk

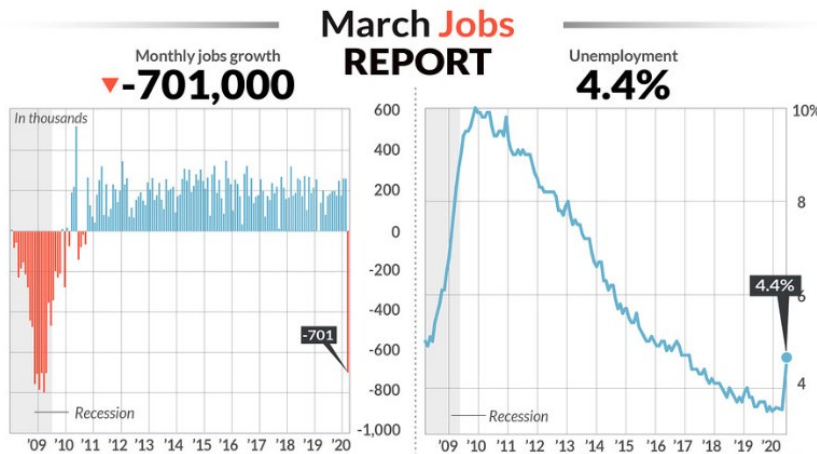
We're Concerned About a Triple-B Downgrade Cycle Swamping the Junk Bond Market



Sources: Wolfe Research Portfolio Strategy, Barclays, Census Bureau, Federal Reserve, Refinitiv, Standard & Poor's, Bloomberg and FactSet.

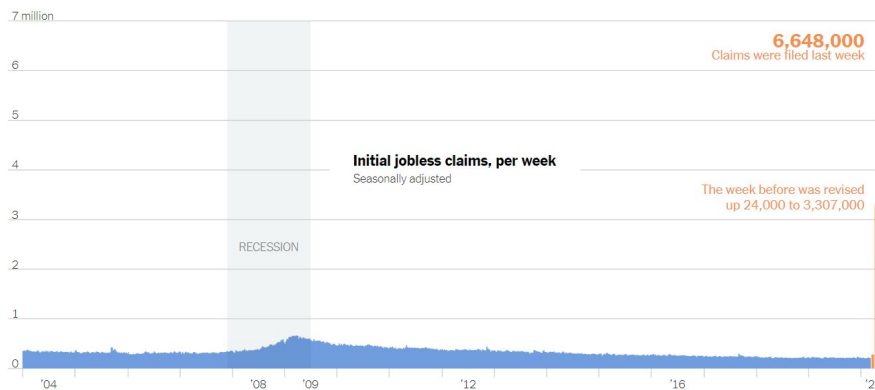
U.S. Economic and Political News

- Non-Farm Payrolls shrunk by more than 700,000, and the unemployment rate shot up to 4.4%
 - That figure dramatically understates the current situation, as it is based on mid-month data
 - According to economists at Brean Capital, the real jobless rate is perhaps another two percentage points higher already



Source: Bureau of Labor Statistics

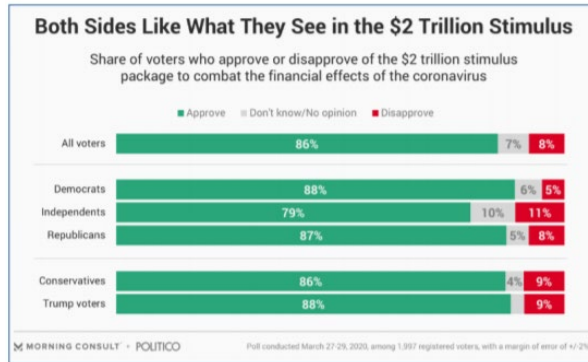
- Weekly Jobless Claims surged to 6.6 million, double the prior week's already high level



Source: Department of Labor, The New York Times

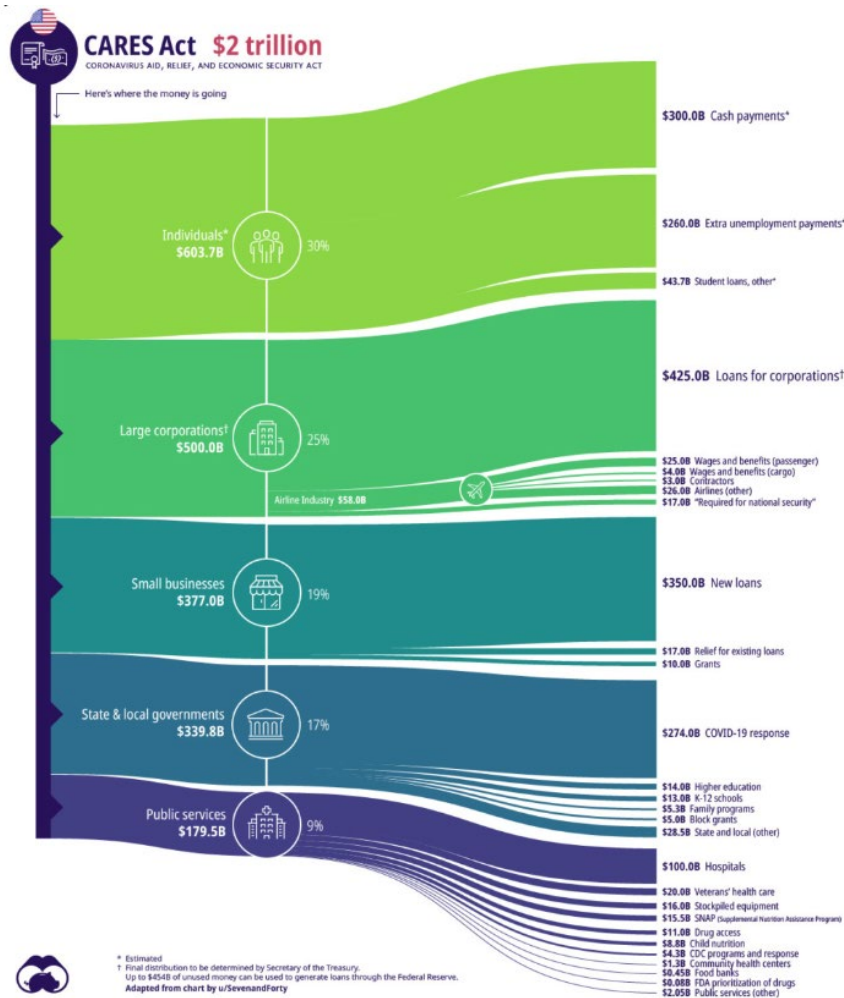


- Who says Democratic and Republican voters fight like cats and dogs? They broadly favor the CARES Act



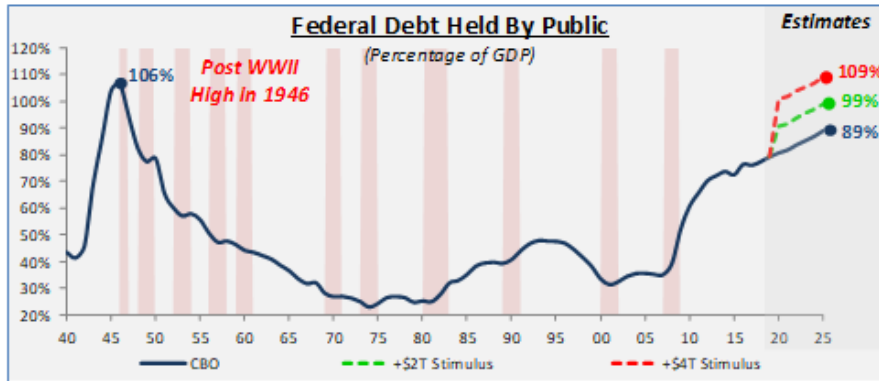
Source: Wolfe Research

- We trust those who need benefits are able to access the panoply of programs being made available through the CARES Act



Source: Visual Capitalist

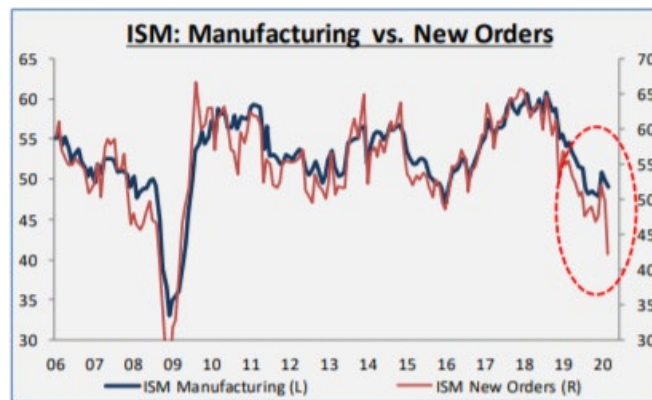
- Presumably, some of those who disapprove of the CARES Act consider themselves fiscal conservatives/budget hawks. Understandably, in the midst of a global crisis, no one wants to consider the longer-term ramifications of debt, but suffice it to say the United States is on pace to eclipse World War II levels of debt/GDP – during peace time!



If the U.S. passes another \$2 trillion fiscal stimulus bill, we estimate that federal debt held by the public will surpass the post-WWII high in 2024 or 2025, creating significant longer-term headwinds

Source: Wolfe Research

- Amid the COVID-19 outbreak, the Democratic National Convention has been postponed until August
- The ISM Non-Manufacturing index printed 52.5, down from 57.3 a month earlier but well above the 43 consensus forecast
- The Institute for Supply Management said its manufacturing index slipped to 49.1% last month from 50.1%, which topped the 44 consensus forecast
 - “The headline looks not too terrible, but the details are far worse. The new orders and employment indexes both fell to their lowest levels since 2009,” said Ian Shepherdson, chief economist at Pantheon Macroeconomics



Source: Wolfe Research

- The Conference Board’s Consumer Confidence gauge fell to 120 in March, its lowest level since July 2017. While down sharply from 132.6 in February, the March result was substantially better than the 110 consensus forecast. The survey ran through March 19, so it’s possible the next print will be similarly stressed

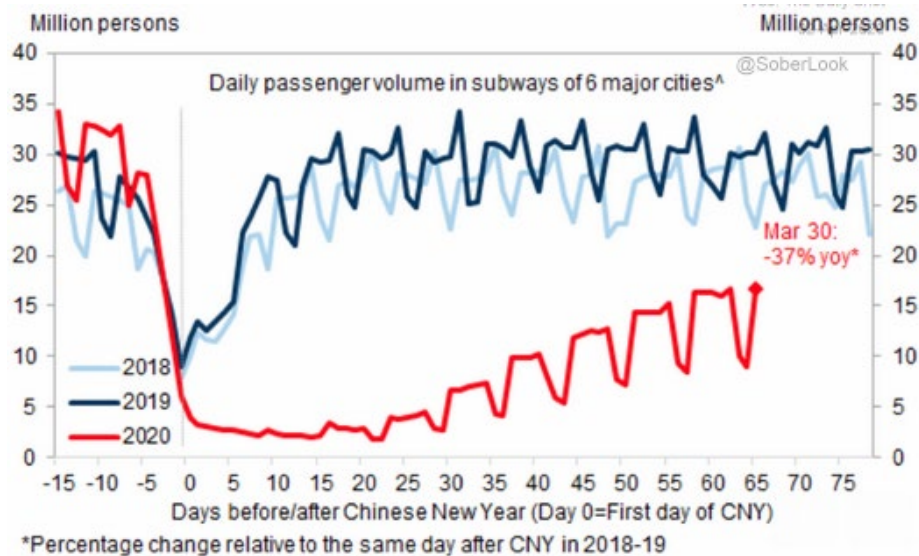


- New Vehicle Sales plunged -38% in March to an annualized rate of 11.4 million units, the lowest figure since 2010

International Markets and News

- The Chinese stock market (Shanghai Composite) was broadly flat for the week, as the March PMI data was above consensus expectations at 50.1 (above 50 indicates expansion). The People's Bank of China (PBoC) cut the interest rate on reverse repurchase agreements and excess bank reserves, while also cutting the required reserve ratio (RRR) for smaller rural and city commercial banks
- Signs of improving economic activity in China include rising coal consumption and subway ridership, although both metrics have not recovered at the same rate from the typical annual Chinese New Year lull that occurred in 2018 & 2019

Chinese Subway Ridership in 2020, 2019 and 2018



- European equities (STOXX Europe 600) fell -0.6% as COVID-19 and economic weakness concerns were partially offset by the European Central Bank's (ECB) enhanced bond-buying program with its largest weekly amount of government bond purchasing (~€35.6B) since the start of quantitative easing in 2015, which caused the German 10-year yield to fall 0.03% to 0.44%
 - Despite the ECB's enhanced bond buying program, Italy's and Spain's 10-year government bond yields rose 22bps to 1.53% and 20bps to 0.72%, respectively
 - There were signs of a slowdown in COVID-19 infection rates for all major European nations, though the death toll remained alarmingly elevated
 - The Wimbledon tennis tournament has been canceled, the first time since World War II that has occurred
- Japanese equities (Nikkei 225 Index) fell -8.1% as concerns about the global recession increased, including the Bank of Japan (BoJ) Tankan business sentiment index, which recorded its lowest level since 2013. Japanese earnings expectations declined further to -13% year over year for 1Q20



This Week:

- It's a holiday-shortened week, with U.S. (among other) markets closed Friday in observance of Good Friday
- Corporate news flow appears relatively quiet with notable earnings including, but not limited to: WD-40, Simply Good Foods, Levi Strauss
- The U.S. macro-economic calendar will see Consumer Credit on Tuesday with Mortgage Purchase Applications and Europe Unemployment rate on Wednesday, Michigan Consumer Sentiment on Thursday and CPI on Friday
- Economic data:
 - Tuesday: Ivey PMI, JOLTS, Consumer Credit
 - Wednesday: MBA Mortgage Purchase Applications
 - Thursday: PPI ex Food, Energy, PPI, Michigan Consumer Sentiment (Preliminary)
 - Friday: CPI ex Food, Energy, CPI, Treasury Budget

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Adam Bergman, CFA®
Executive Director

The Chartered Financial Analyst® (CFA) charter is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

The opinions contained in the preceding presentation reflect those of Sterling Capital Management LLC, and not those of BB&T Corporation now Truist Financial Corporation or its executives. The stated opinions are for general information only and are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation now Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation now Truist Financial Corporation, Branch Banking and Trust Company now Truist Bank or any affiliate, are not guaranteed by Branch Banking and Trust Company now Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.