



Trust Division

Pratt and Smith Center, Kansas

Smith Center Office:

Barbara Timmons, Trust Officer
 Joni Wolters, Trust Officer
 John Terrill, Senior Trust Officer
 David Mace, CFP®, Trust Officer
 Mark McClain, Trust Officer
 Stephanie Hommon, Trust Officer

Pratt Office:

Ernie Richardson, Trust Officer
 Eric Bronson, Trust Officer

INVESTMENT COMMITTEE MARKET COMMENTS

March 2020

STOCK MARKET INDEX DATA	Current Index	MTD Return	YTD Return	2019 Return
as of February 29, 2020				
Dow Jones Industrials Average	25,409.36	-10.07%	-10.96%	22.34%
S&P 500	2,954.22	-8.41%	-8.56%	28.88%
Nasdaq	8,567.37	-6.38%	-4.52%	35.23%

STOCK MARKET UPDATE

The coronavirus (COVID-19) outbreak will likely remain the primary driver of short-term market sentiment. The recent spike in new cases in Italy, Iran, and South Korea shows that the global impact is unpredictable despite signs that the infection rate in China could be stabilizing. Although it is too early to determine the full extent of these outbreaks, the meaningful jump in cases adds to market nervousness and will drive near-term volatility.

Major indexes have seen some of the most volatile swings in history over the past two weeks. The DJIA, S&P 500 and Nasdaq all ended the month of February down -10.07%, -8.41%, and -6.38% respectively.

Current Bond Yields						
Bond Types	3 Mo	6 Mo	2 Year	5 Year	10 Year	30 Year
U.S. Treasury	0.47%	0.39%	0.52%	0.67%	0.82%	1.31%
Agency/GSE	0.61%	0.69%	1.61%	1.63%	1.90%	1.95%
Corporate (Aaa/AAA)	0.65%	0.84%	1.33%	1.44%	1.29%	2.90%
Corporate (Aa/AA)	1.90%	1.24%	2.00%	1.69%	2.46%	3.39%
Municipal (Aaa/AAA)	1.71%	1.62%	1.49%	1.88%	2.29%	2.22%
Municipal (Aa/AA)	1.76%	1.67%	1.65%	2.06%	2.44%	2.58%

FIXED INCOME MARKET UPDATE

Markets were caught by surprise by the Federal Reserve's 10 a.m. announcement on Tuesday, March 3rd of an emergency half-point (0.5%) rate cut, citing "evolving risks to economic activity" from the coronavirus. Some observers noted that the Fed's surprise move in advance of its policy meeting later in March may have signaled that policymakers were getting a privileged view into signs of stress in credit markets. Investors may have also been disappointed that Fed Chair Jerome Powell's statement did not include more details on the Fed's outlook for the economy. With investors racing to safety, the 10-year Treasury hit an all-time low yield of .39% on March 9th (bond prices and yields move in opposite directions).

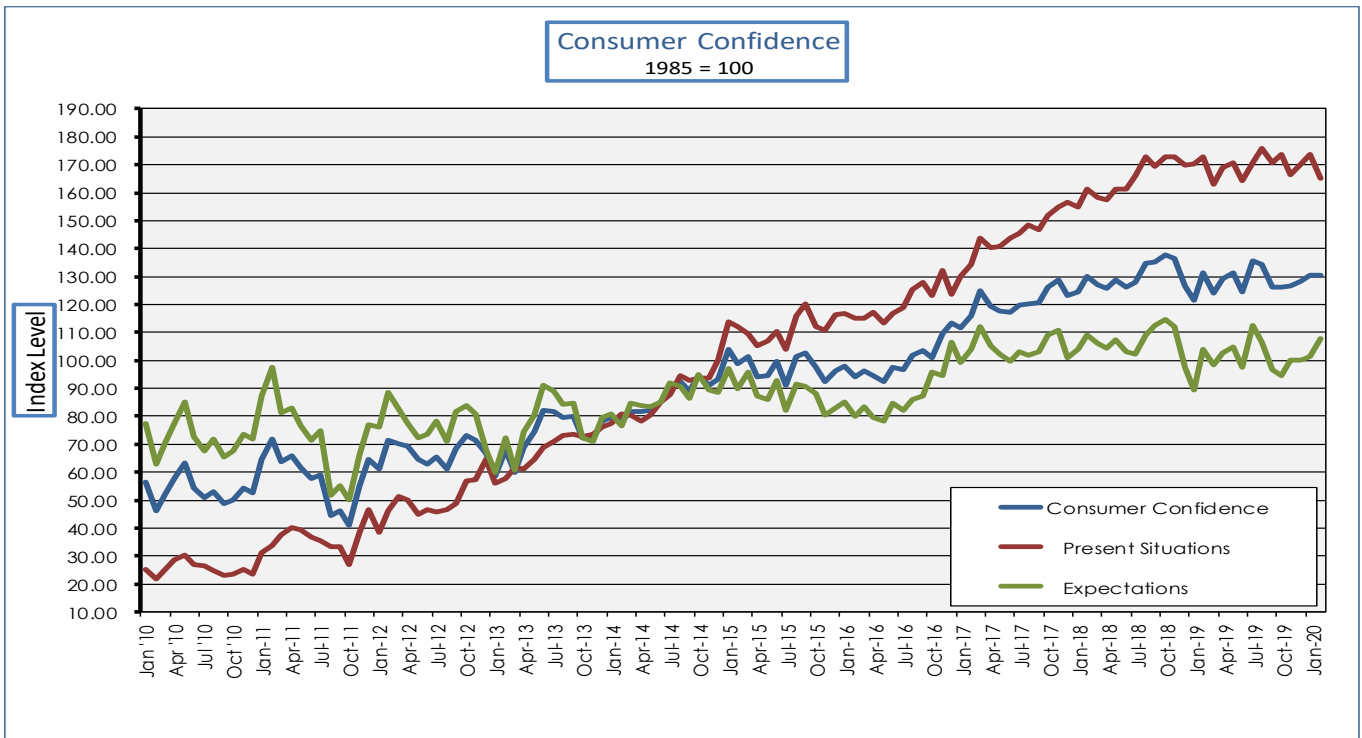
ECONOMIC UPDATE

The Fed is expected to maintain the accommodative policy stance established with the March 3 emergency cut. Provided that the outbreak is contained, the Fed will likely look through the short-term negative impact. That said, policymakers have indicated they would not hesitate to ease again if deteriorating market and economic sentiment threatened to prolong the slump. Even less likely are conditions that would prompt a rate hike this year. Indeed, the Fed would welcome an upside growth surprise that lifted the personal consumption expenditures price index to, or even modestly above, its 2% medium-term inflation rate objective.

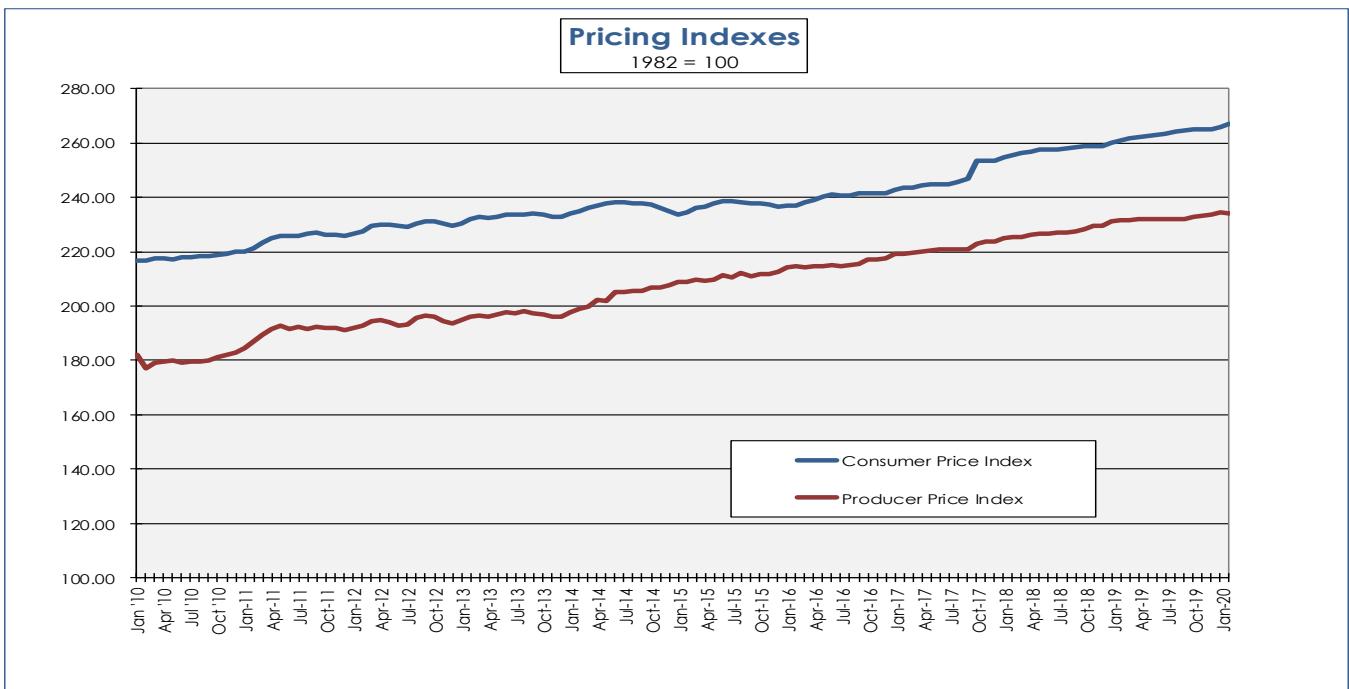
Although ample anecdotal evidence of canceled travel and other disruptions arrived during the week as a result of the coronavirus, last week's data provided little confirmation of a slowdown. The Institute for Supply Management's gauge of service sector stayed firmly in positive territory, and construction data were particularly strong.



Jobless Claims - In the week ending February 29, the advance figure for seasonally adjusted initial claims was 216,000, a decrease of 3,000 from the previous week's unrevised level of 219,000. The 4-week moving average was 213,000, an increase of 3,250 from the previous week's unrevised average of 209,750. Total nonfarm payroll employment rose by 273,000 in February, and the **unemployment rate** was little changed at 3.5 percent. Notable job gains occurred in health care and social assistance, food services and drinking places, government, construction, professional and technical services, and financial activities.



The **Conference Board Consumer Confidence Index**® improved slightly in February, following an increase in January. The Index now stands at 130.7 (1985=100), up from 130.4 in January. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – decreased from 173.9 to 165.1. However, the Expectations Index – based on consumers' short-term outlook for income, business and labor market conditions – increased from 101.4 last month to 107.8 this month.



In February, the **Consumer Price Index** for All Urban Consumers rose 0.1 percent on a seasonally adjusted basis; rising 2.3 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy rose 0.2 percent in February (SA); up 2.4 percent over the year (NSA). The **Producer Price Index** for final demand fell 0.6 percent in February, as prices for final demand goods decreased 0.9 percent and the index for final demand services moved down 0.3 percent. The final demand index increased 1.3 percent for the 12 months ended in February.