



Market Update

Key Takeaways

- Global markets continued to react negatively last week to the rise in COVID-19 cases in the U.S. and beyond as measures to control the spread of the virus slow economic activity. Accordingly, the longest bull market on record for domestic equities has ended.
- COVID-19 remains a “fat tail” event, making detailed predictions on the future path of the pandemic’s impact on economic activity and market direction difficult.
- Structural market dynamics are indicative of a broad asset liquidation event triggering forced asset sales by certain institutional market participants, often indiscriminately. Price declines of this nature often offer longer-term opportunity to the patient investor.
- After injecting \$1.5 trillion of additional liquidity into the domestic financial system and cutting its benchmark interest rate by 0.5% last week, the Federal Reserve slashed its benchmark interest rate to near zero Sunday evening and said it would buy \$700 billion in Treasury and mortgage-backed securities in an urgent bid to stabilize markets.
- On Friday, the President declared a National Emergency releasing over \$42 billion in additional funding for state-level testing and other local medical purposes. The White House and the House of Representatives reached agreement on a fiscal stimulus package to offer relief to impacted consumers and businesses. After a Senate vote, we anticipate the final passage of this important legislation early this week.
- Bahl & Gaynor remains highly engaged in the rapidly evolving developments currently impacting economic growth and market volatility. Our focus and philosophy remain to deliver high quality investment opportunities and dividend sustainability to our clients during this difficult capital market period.

Recent Developments

COVID-19 remains a “fat tail” event, indicating the full extent of the human and economic impact of the public health crisis cannot be estimated with any certainty at this point. The deflationary supply shock in the oil markets arising a week ago exacerbated already bearish investor sentiment around this continually evolving situation. At this juncture, it is not known if the dramatic measures taken to slow the spread of the virus will cause only a moderate decrease in economic growth and earnings or a recession. The market’s drawdown to date reflects markedly lower investor confidence and earnings expectations for the period ahead. We are hopeful the decisive and significant public health actions taken will ultimately offer effective virus infection containment and a more rapid resolution to economic growth concerns.

A host of powerful monetary policy actions, announced late last week and as recently as Sunday evening, aim to offset the economic impact of the unfolding pandemic. Additionally, an agreement between the House of Representatives and the executive branch was finalized, offering both business and consumer fiscal relief. A Senate ratification vote, expected early this week, will make this legislation operative. The details of the fiscal package will be closely evaluated by market participants for substance and efficacy.

Last week, the longest bull market for domestic equities ended. An important reminder to investors: the 11-year long bull market was born out of the declines of the Global Financial Crisis of 2007-08. While the weeks ahead are likely to remain event-driven and volatile, a period of lower asset prices and reset is often necessary to establish a new base, sowing seeds for the next long-term advance in equities.

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Our Perspective

At Bahl & Gaynor, we focus on what we can control: an investment philosophy predicated on the time-tested merits of high-quality companies that pay growing dividends. Bahl & Gaynor will continue to work to ensure your portfolio is positioned to align with your investment goals in this and all market environments.

We firmly believe the weight of growing cash flows, balance sheet strength, tenured and skilled management teams, and rising dividends will continue to reward long-term

investors. It is these investment characteristics that have historically provided attractive risk-adjusted returns to our clients over full market cycles.

Bahl & Gaynor appreciates your confidence in us during this difficult market environment. It's time in the market, not timing the market, that builds wealth and grows income over time.

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