IdahoTrustBank

March 2020

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust Bank

Volatility in the global financial markets was very high last month. U.S. equities suffered a significant selloff in the final week of February. Most major stock indices have experienced a “correction” during the past month. The sharp market decline was driven by concerns around the spread of the COVID-19 virus and its impact on global economic activity. It is important to remember that these movements are a normal part of stock market activity.

An Increase in Volatility

The S&P 500 experienced almost a 13% decline from the all-time high, established on February 19th. This was the quickest correction – defined as a pullback of at least 10.0% – in stock market history, occurring in just six trading days (see chart on next page). The correction has been primarily driven by concerns around the spread of COVID-19 (also called the “Coronavirus”) and its impact on the global economy.

In early March, the Federal Reserve Bank (Fed) lowered its benchmark interest rate by 50 basis points, designed to help alleviate the potential economic disruptions from the Coronavirus. The target range of the Fed Funds rate is now 1.00%-1.25%. The move was unusual in that it occurred in between the Fed’s regularly scheduled meetings. The action marks the central bank’s first between

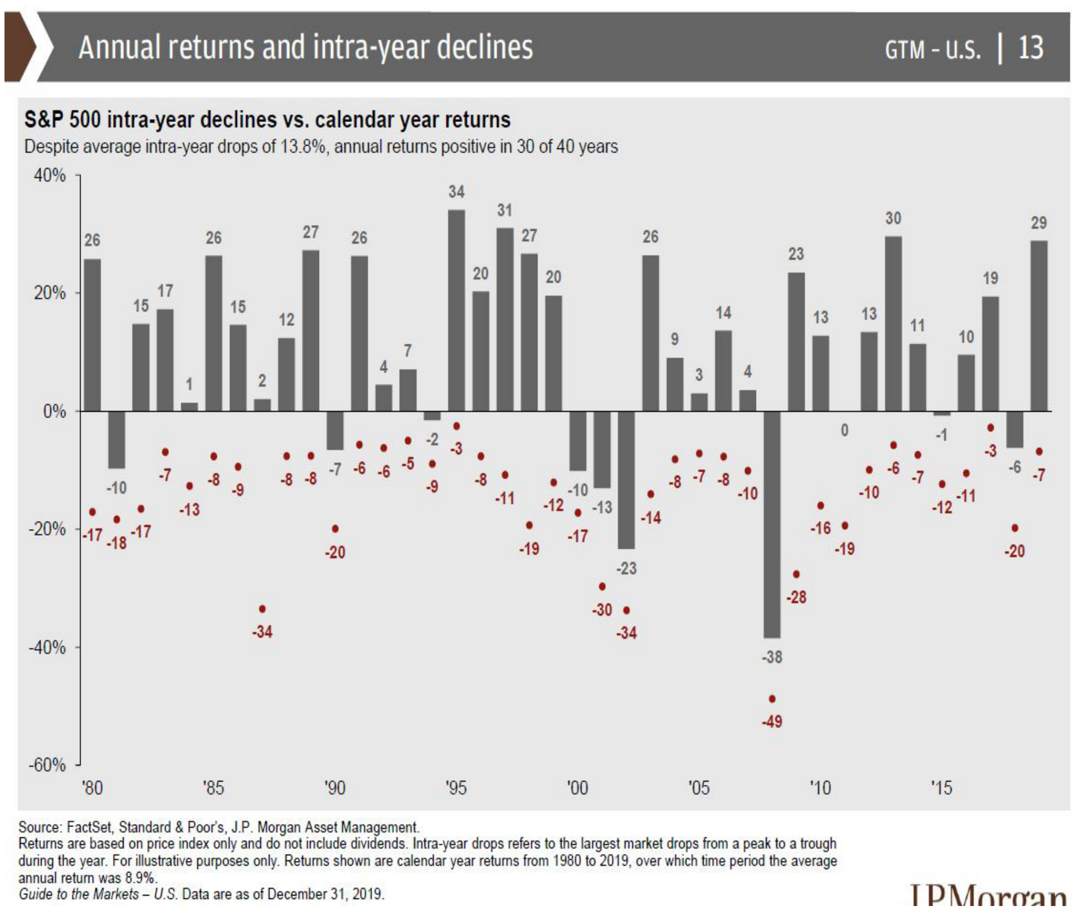
Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. LifeNeeds™ utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

policy meetings since the 2008 financial crisis. In their brief statement accompanying the emergency policy action, the Fed noted that "the coronavirus poses evolving risks to economic activity." The statement also

notes that "the fundamentals of the U.S. economy remain strong."

Beginning in January and continuing into early February, the news surrounding COVID-19 was confined to China, where it began to impact the already weak Chinese economy and markets. Initially the rate of spread appeared "normal" and seemed to be contained to China.



In recent weeks, however, the spread to other countries on most continents and the accelerated rate of growth in cases have led to increased concern regarding the global economy and risk that it could be the tipping point of economic recession and bear markets. The good news is that mortality associated with the coronavirus seems to have stabilized at a much lower rate than that of other recent widespread viral outbreaks, such as SARS or Ebola. In addition, it appears that cases in China are on the wane and everyday life, to some extent, is resuming.

The not-so-great news is that, because its symptoms are not as severe as those of SARS or Ebola, COVID-19 is much easier to spread, increasing the risk of transmission. More specifically, while the spread of the virus seems to have somewhat slowed in China, the real concern for markets is the pickup in cases outside of China. The increase of new cases in Europe as well as Asia and several Middle Eastern countries provides a significant downside risk to global economic growth during the first half of this year.

Stock Market Corrections

Most major equity markets are in the midst of a correction. The market declines are clearly a result of the unknown impact on economic growth. However, we would like to provide some historical perspective to these events. The chart on the prior page identifies the annual return of the S&P 500 each year since 1980. The grey bar represents the annual return each year through 2019. The red dot below each bar shows the intra-year decline during that year. As you can clearly see from the data, market corrections occur every year. The average decline during the period from 1980 until 2019 was 13.8%. The above chart clearly shows that high single digit or low double digit declines are common in most years. In fact, the last major correction occurred in 2018 when the market fell by almost 20%.

Market downturns happen frequently but don't last forever
Standard & Poor's 500 Composite Index (1950-2019)

Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency*	About three times per year	About once per year	About once every four years	About once every six years
Average length†	43 days	112 days	262 days	401 days
Last occurrence	August 2019	December 2018	December 2018	December 2018

* Assumes 50% recovery of lost value.
† Measures market high to market low.

Sources: Capital Group, Standard & Poor's.

Conclusion

At this point, the full economic impact of Coronavirus is unknown. Many Governments and companies have begun to curtail travel and trade in an attempt to mitigate the impact and spread of the virus. These actions should help contain the spread of the virus but will reduce earnings expectations in the near term.

S&P 500 Index

3 Month	-5.51%
Year-to-Date	-8.270%
1 Year	8.18%
3 Year	9.85%
5 Year	9.21%

MSCI EAFE Net Index

3 Month	-8.05%
Year-to-Date	-10.94%
1 Year	-0.57%
3 Year	3.92%
5 Year	1.96%

Barclays Aggregate Bond Index

3 Month	3.69%
Year-to-Date	3.76%
1 Year	11.68%
3 Year	5.01%
5 Year	3.57%

As of 2.29.2020

Boise Branch
888 W. Broad St.
Boise, Idaho
208.373.6500

Coeur d'Alene Branch
622 E. Sherman Ave.
Coeur d'Alene, Idaho
208.664.6448

Las Vegas Trust Office
2850 W. Horizon Ridge PKWY, Ste 200
Henderson, Nevada
702.430.4747

Info@IdahoTrust.com
www.IdahoTrust.com

1. Consult an Idaho Trust Bank financial consultant for more details. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIP. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Investment accounts generally under $300,000; Insurance and Annuities of all sizes.
2. Please see the Idaho Trust Bank Schedule for Fees. Investment accounts generally over $300,000.
3. Please see the Idaho Trust Bank Schedule of Fees. Investment accounts generally over $500,000. Certain products may be provided by a Financial Consultant of Idaho Trust Financial is utilized: (1) Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC; (2) Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial; and, (3) Idaho Trust Bank is a separate company from LPL Financial, Idaho Trust Bank does not provide tax or legal advice. Overlay Asset Management utilizes external and/or internal managers selected by Idaho Trust Bank.
4. Certain products may be provided by a Financial Consultant of Idaho Trust Financial. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Idaho Trust Bank does not provide tax or legal advice.
5. Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, and differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fee before you invest.
6. Portfolios are illustrative only. ActualLifeNeedsTM Portfolios will vary from time to time as determined by Idaho Trust Bank. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest. Past performance is no guarantee of future results.

Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. For more information about performance of Idaho Trust Strategies and our performance calculation methodology, please contact us. Actual client performance may vary from the performance of model portfolios and/or any strategy. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest.

Portfolios are illustrative only. Actual LifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. The Idaho Trust investment strategies will vary from time to time as determined by Idaho Trust Bank. The information and analysis expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Information contained herein has been obtained by sources we consider reliable, but is not guaranteed. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice.

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK • MAY GO DOWN IN VALUE