IdahoTrustBank

April 2020

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust Bank

Major stock indices around the globe declined sharply in March as the Coronavirus spread around the world. In order to slow the spread of the virus, medical expects have encouraged a policy of 'social distancing' which has resulted in widespread travel restrictions as well as a shutdown of many 'non-essential' businesses. The economic impact of these actions is unknown at this point as there is no definitive timeline as to when more normal social and work activities can resume.

Coronavirus

The coronavirus is having a severe impact on the U.S. economy. Initially, it appeared the virus would be able to be contained with modest containment efforts. However, at this point, many U.S. states have now issued some form of stay-home orders. As such, there is now a majority of the population living under restricted conditions. Given that the virus continues to spread, it now appears widespread containment measures will be needed for several more weeks, and likely longer in some hard hit areas. While the future path of the virus is impossible to predict, the economic damage is clearly growing in magnitude. Sheltering in place minimizes the risk of infection, but is nonetheless damaging to commerce. While many businesses have seen a sharp drop in activity, such as restaurants (see chart on next page), other businesses have experienced a pickup in activity, such as grocery stores. Initial claims for unemployment insurance in the United States

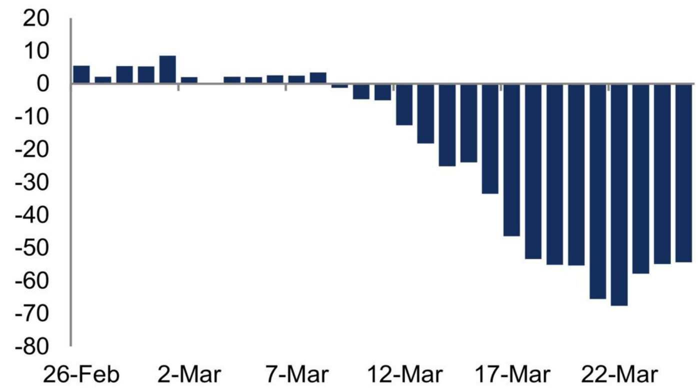
Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. LifeNeeds™ utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

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.

have reached record levels.

Incoming global indicators over the next few weeks will likely paint a similarly difficult economic picture. Many countries will likely enter a recession, as a result of the virus mitigation efforts. There is certainly hope that the viral outbreak will be contained and that normal activity levels will eventually be restored. But health officials, the private sector and consumers may remain cautious for some time. This means that while a good portion of lost activity may be regained quickly, some sectors will lag, leaving a considerable number of businesses and workers at risk even after the virus transmission has subsided.

Figure 14: Change in small-business restaurant revenue from a year earlier



Source: State Street Global Markets, Womply, WSJ

Government Response

Many bold actions have been taken in order to mitigate the financial impact of the Coronavirus. First, the Federal Reserve Bank (Fed) reduced its overnight federal funds rate to 0%-0.25%, shortly following a 50 basis point decrease initialed earlier in the month. The Fed also initiated several liquidity measures, such as a $700 billion quantitative easing program. The Fed appears willing to proactively provide support to the economy during this health crisis.

Coronavirus Aid, Relief, and Economic Security Act

Amount ($ bn)	Measure
$290	One-time stimulus checks amounting to $1,200 per adult and $500 per child up to certain income limits
$260	Enhanced, expanded and extended unemployment benefits, adding $600 per week to every unemployment check for 4 months, expanding program to cover contractors and self-employed and extending program to 39 weeks from 26 weeks
$510	Loans to distressed businesses, cities and states. Includes $29 billion for airlines, $17 billion for firms deemed important for national security and $454 billion as backstop for loans to other businesses, cities and states
$377	Small business relief, largely in the form of "forgivable loans" for spending on payroll, rent and utilities
$150	Direct aid to state and municipal governments
$180	Health-related spending
$516	Other spending and tax breaks
$2.283 trillion	**~10.8% of GDP**

Secondly, the federal government enacted the CARES (Coronavirus Aid, Relief, and Economic Security) act, with over $2.2 trillion of rescue and support funds to help address the economic effects of the coronavirus, which amounts to approximately 10% of the U.S. gross domestic product (GDP). U.S. residents will benefit from paid leave for COVID-19 patients, protections for parents taking care of children whose schools are closed and direct cash payments to individuals. Many businesses will qualify for loans and grants to maintain payrolls and rent payments as well as targeted support for severely impacted industries like airlines. The measures taken will provide a temporary safety net for not only millions of businesses, but also millions of workers and investors.

First-Quarter Recap

The first three months of 2020 have seen severe declines in stock markets in both the U.S and overseas. The S&P 500 index declined 19.60% from January through the end of March. Small-cap stocks, which are more sensitive to economic activity, fared even worse, dropping 30.6%. Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had the best equity returns in the first quarter. Europe has experienced a sharp slowdown in economic activity as several countries have struggled with an effective COVID-19 response.

2020 Market Returns

(Year to Date)

as of March 31, 2020

Broad Market Returns	
S&P 500	-19.60%
Dow Jones Industrial Average	-22.73%
Nasdaq	-13.91%
Russell 2000 - small cap	-30.62%
MSCI EAFE	-22.83%
MSCI Emerging Markets	-23.60%
US Bond Index	3.15%
Treasuries	8.20%
Corporate Bonds	-3.63%
Municipal Bonds	-0.63%
Foreign Bond Index	-2.08%
Commodities	-23.29%
Domestic Stock Sectors	
Information Technology	-11.93%
Financials	-31.95%
Health Care	-12.67%
Energy	-50.45%
Consumer Discretionary	-19.29%
Consumer Staples	-12.74%
Industrials	-27.05%
Utilities	-13.50%
Materials	-26.13%
Telecommunication Services	-16.95%
Real Estate (REITs)	-19.21%

Conclusion

Given the large number of unknowns surrounding coronavirus, it is likely that volatility levels will remain high moving into the summer months. The near-term economic outlook is very challenging. The spread of COVID-19 has not yet reached its peak in the U.S. As long as the rate of diagnoses continues to increase, commerce will be impaired, markets will be volatile and forecasting will be challenging. However, we believe that the long-term investment outlook has improved with lower valuations and strong economic activity likely to resume next year.

S&P 500 Index

3 Month	-19.60%
Year-to-Date	-19.60%
1 Year	-6.99%
3 Year	5.09%
5 Year	6.71%

MSCI EAFE Net Index

3 Month	-22.83%
Year-to-Date	-22.83%
1 Year	-14.38%
3 Year	-1.82%
5 Year	-0.62%

Barclays Aggregate Bond Index

3 Month	3.15%
Year-to-Date	3.15%
1 Year	8.93%
3 Year	4.82%
5 Year	3.35%

As of 3.31.2020

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