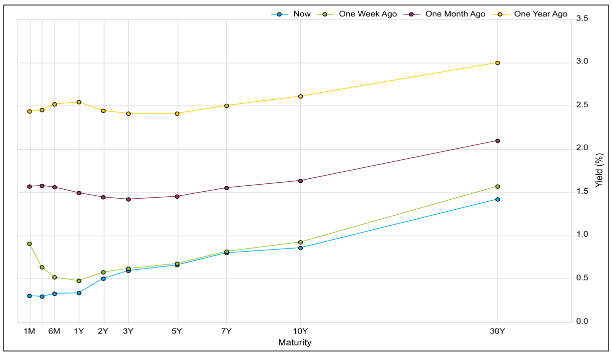
Trustmark Investment Advisors, Inc. *Weekly Portfolio Manager Commentary* *March 13, 2020*

ECONOMIC OUTLOOK: U.S. Consumer Prices were up 0.1% for February, with Core Prices up 0.2%. The Producer Price Index was 0.6% lower for the month. Otherwise a slow week in terms of economic releases.

FIXED INCOME: Bond investors will be on high alert for more action from the Federal Reserve this week, after an emergency rate cut earlier this month and promises of more cash being injected into the banking have failed to bring confidence to the markets after one of the most turbulent weeks in history. The European Central Bank and the Bank of England have pledged to do more to bolster confidence after the rapid spread of the coronavirus has led to lockdowns across many countries and market meltdowns on a global scale. "Further liquidity injections are absolutely essential if we are to avoid the ongoing economic downturn descending into a potential financial crisis," said Mike Riddell, a money manager at Allianz Global Investors. "The most important immediate concern is to get the U.S. Treasury market under control." Money markets are pricing in nearly 100 basis points of cuts from the Federal Reserve after the conclusion of their meeting this Wednesday, a hefty move that would take the lower band of the target rate to zero. Compared to that, Europe's policymakers have little room to maneuver and investors may be witnessing the passing of the baton to governments. Germany's pledge of as much as 550 billion euros ($610 billion) in "bazooka" spending led to the biggest sell-off in a decade of the nation's sovereign debt last Friday, one day after the largest collapse in Italy's bond history. Investors are beginning to realize that central banks are tapped out of ways to stimulate economies using monetary policy in many parts of the world. Instead it will have to be governments that pick up the fight against the effect of the pandemic on the real economy. President Trump announced last Friday he is declaring a national emergency which will free up billions of dollars to aid in the coronavirus fight.

Change in Treasury Yield Curve



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	0.24%	3 mo	0.50%	3 mo	1.54%	3 mo	1.34%
6 mo	0.34%	6 mo	0.66%	6 mo	1.53%	6 mo	1.34%
1 yr	0.32%	1 yr	0.55%	1 yr	1.52%	1 yr	1.33%
2 yr	0.49%	2 yr	0.71%	2 yr	1.52%	2 yr	1.35%
5 yr	0.72%	5 yr	0.97%	5 yr	1.86%	5 yr	1.49%
10 yr	0.96%	10 yr	1.32%	10 yr	2.34%	10 yr	1.96%
30 yr	1.53%	30 yr		30 yr	3.11%	30 yr	2.72%

EQUITY: Volatility reigns as U.S. Equity experienced its largest single day decline since 1987 on Thursday with a loss of ~10% in the Dow and 9.51% in the S&P 500 to close out as one of the worst weeks since the crisis in '08 and squarely set in bear territory. Despite this, the markets closed out Friday positive as the S&P 500 captured gains of 9.30%, which could be due to the extreme oversold conditions, the promised liquidity that Treasury Secretary Mnuchin pledged, and expected fiscal policy measures such as free testing, enhanced unemployment insurance, and increased funding for food programs. Coronavirus has almost all credit to take, along with the oil war between Saudi Arabia/Russia, for the tumultuous time U.S. equity has seen the past month. Volatility is expected in the short term as the market begins to digest incoming data regarding how the impact of the Coronavirus will affect the economy. All sectors finished the week lower while Healthcare (-7.92%) lost the least and Utilities (-13.87%) was hit the hardest. Across the board, all asset classifications seemed to be a wash, as there were no positive asset classes due to the mass panic selling. The S&P 500 closed the week at 2711.

Source: FactSet Research Systems

Index Returns	Last Week	YTD
Dow Jones Industrials	-2.69%	-18.28%
S&P 500 (LCap	-1.23%	-15.73%
S&P 400 (MCap)	-5.24%	-24.75%
Russell 2000 (SCap)	-7.89%	-27.34%
NASDAQ Composite	-0.92%	-11.99%
MSCI EAFE (Int'l)	-7.11%	-23.80%
iShares Real Estate	-4.18%	-12.82%

ASSET ALLOCATION:

Current Sentiment	
Cash	Neutral
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Unfavorable
High Yield FI	Neutral
International FI	Unfavorable
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Neutral
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Neutral weighting now that Fed Funds rate is above 2%. Any exposure is for defensive positioning or liquidity needs.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in floating rate securities.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened considerably and do not warrant exposure to unnecessary credit risk when compared to Treasuries.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains an attractive market capitalization. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.