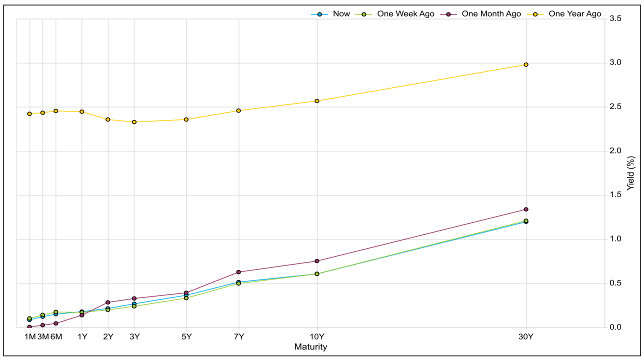
Trustmark Investment Advisors, Inc. *Weekly Portfolio Manager Commentary* April 24, 2020

ECONOMIC OUTLOOK: New Single-Family Home Sales came in at an annualized rate of 627,000 units, down from 741,000 unit rate last month. U.S. Durable Goods Orders were down 14.4% in March after having been up 1.1% in February.

FIXED INCOME: U.S. Treasuries yields on the longer end of the curve continued to grind lower last week, reflecting continued demand for safer assets among investors concerned about the possibility of a slow recovery from a deep economic contraction. The yield on the benchmark ten-year note ended the week at 0.60% compared with 0.65% last week, according to Bloomberg. Treasury yields logged their eighth decline out of the past ten weeks. The appetite for Treasury securities remains strong even as investors have begun to warm to riskier assets and the Federal Reserve has started to slow down the pace of its bond purchases. The central bank had been buying Treasuries in the amount of $15 billion a day and announced last Friday afternoon it would buy $10 billion a day starting this Monday. This is down from $75 billion a day to start the month but the ten-year yield has continued to move lower from 0.691% to start April. "As the Fed backs away, evidence suggests that there is another buyer out there," said Thomas Simons, Senior Vice President and Money-Market Economist in the fixed income group at Jefferies, LLC. There is, he added, "global demand for a safe-haven asset" as some investors prepare for what they fear could be a prolonged economic crisis. Treasury yields have also moved lower despite signs that the Treasury Department is eager to ramp up the size of its intermediate and longer-term bond sales. The agency needs to fund a budget deficit that is rapidly expanding as Congress spends trillions of dollars to help individuals and businesses weather the disruptions caused by the coronavirus pandemic. Up until now, the Treasury has leaned heavily toward issuing short-term bills with maturities of one year or less. Last Thursday, the Treasury announced it would sell $42 billion of two-year notes this week, along with $43 billion of five-year notes and $35 billion of seven-year notes. That's an increase of $7 billion total across maturities.

Change in Treasury Yield Curve



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	0.10%	3 mo	0.04%	3 mo	0.93%	3 mo	0.99%
6 mo	0.12%	6 mo	0.08%	6 mo	0.92%	6 mo	0.99%
1 yr	0.15%	1 yr	0.42%	1 yr	0.90%	1 yr	1.00%
2 yr	0.23%	2 yr	0.30%	2 yr	0.81%	2 yr	1.05%
5 yr	0.37%	5 yr	0.60%	5 yr	1.15%	5 yr	1.26%
10 yr	0.60%	10 yr	1.14%	10 yr	1.81%	10 yr	1.57%
30 yr	1.17%	30 yr		30 yr	2.65%	30 yr	2.51%

EQUITY: U.S. Equity finished slightly lower for the week. As the S&P 500 closed -1.33%. The oil sell-off seems the easiest excuse for recent weakness in stocks though storage capacity seems to be the more pressing near-term issue as demand destruction from coronavirus is already seen. Other things to note include the recent $484B interim relief package Congressed passed to help small businesses, Coronavirus social distancing guidelines potentially being extended, and the White House potentially exploring options to help the Energy sector. Energy (+1.46%) is the only positive sector for the week, with Real Estate (-4.63%) and Utilities (-4.36%) struggling the most.

Oil faced strong pressure at the beginning of the week with the June WTI contract finishing down 4.3% to $11.57, though prices fell as low as $6.50/barrel. Comes after the May contract, which expires today, settled at a record -$37.63 on Monday, down from $18.27 on Friday (this contract is now back in positive territory). Comes amid significant demand disruption from global coronavirus mitigation restrictions, exacerbated by extremely limited storage capacity (key U.S. hub at Cushing could be full by early May). This report comes after reports yesterday some OPEC ministers considering immediate output cuts, not waiting until 1-May as outlined in recent OPEC+ agreement.

Intel (INTC) posted better-than-expected Q1 results with the company highlighting unexpectedly strong demand for both PCs and servers as work-from-home and learn-from-home dynamics played out globally, which has seemed to help the majority of tech companies. The data center business was the key upside driver. While Q2 revenue guidance was below seasonal, it was still ahead of expectations; However, Q2 EPS guidance was light as GM guidance disappointed. The company blamed the softer outlook on write-offs associated with 10nm client Tiger Lake and 10nm acceleration and lower volumes. There is no full-year guidance due to meaningful uncertainty, but the company did say global macro weakness expected to outweigh initial benefits of work-from-home for PCs and flagged slowing enterprise and government data center demand.

Source: FactSet Research Systems

Index Returns	Last Week	YTD
Dow Jones Industrials	-2.08%	-16.09%
S&P 500 (LCap)	-1.33%	-11.53%
S&P 400 (MCap)	-0.44%	-24.16%
Russell 2000 (SCap)	0.67%	-25.47%
NASDAQ Composite	-0.38%	-3.43%
MSCI EAFE (Int'l)	-1.03%	-20.46%
iShares Real Estate	-4.01%	-20.84%

ASSET ALLOCATION:

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

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.
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 continue to be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of a recovery ensues.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight 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 begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong altern ative 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.