

KEY TAKEAWAYS

The Federal Reserve cut the Fed Funds Rate by 50 basis point, as market forces seemed to require, but it appears the market may be demanding further intervention (see chart below). Fed action has been a factor in spurring market growth in the past. Clearly, the Fed is concerned about the potential economic impact of coronavirus and took swift action with the “emergency” rate cut, as a result. The second chart shows the forward performance of the S&P 500 after previous emergency rate cuts. Here are some related thoughts...

- If the economy is strong, the emergency rate cut could spur market growth. This would be similar to the Fed’s response to the Long-Term Capital Management collapse in 1998.
- However, during times of economic weakness or recession, the markets contracted after such rate cuts.
- Currently, we are at a crossroads. The economic data, especially in the US, was strong through January. However, if the coronavirus disrupts supply chains enough, that could tip the country into a recessionary environment.
- The recurring theme is to continue focusing on an understanding of risk tolerance and appropriate risk management for each portfolio. History shows the market could make a strong move either way off an emergency rate cut.



Source: <https://www.zerohedge.com/markets/bmo-negative-rates-are-coming-us>

CHART OF THE WEEK

March 5, 2020



Kevin Churchill, CFA®, CFP®
Chief Investment Officer

Figure 2: S&P 500 returns in periods after the Fed emergency cuts

S&P 500 Returns				
Cut size	Emergency Rate Cut Date by Fed	1W	6M	1Yr
50bps	8-Oct-08	-8.9%	-17.2%	7.0%
75bps	22-Jan-08	2.8%	-3.6%	-37.6%
50bps	17-Aug-07	4.8%	-4.3%	-9.4%
50bps	17-Sep-01	-8.2%	6.7%	-20.0%
50bps	18-Apr-01	3.1%	-9.6%	-5.7%
50bps	3-Jan-01	2.3%	-5.0%	-9.2%
25bps	15-Oct-98	7.3%	31.6%	24.1%
Average		0.5%	-0.2%	-7.3%
Median		2.8%	-4.3%	-9.2%

Source : Deutsche Bank, Bloomberg

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Ashton Thomas Private Wealth, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Ashton Thomas Private Wealth, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Ashton Thomas Private Wealth, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. If you are a Ashton Thomas Private Wealth, LLC client, please remember to contact Ashton Thomas Private Wealth, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. A copy of the Ashton Thomas Private Wealth, LLC's current written disclosure statement discussing our advisory services and fees is available upon request.