

# Q1news

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## Social distance yourself from COVID-19 scams

The FTC has warned Americans to beware of the potential scams that are proliferating. Here are some precautions to take that will keep you safer:

- Hang up on robocalls, and don't press any numbers. Scammers are using illegal robocalls to pitch fraudulent COVID-19 treatments and work-at-home schemes. If you press a number to be removed from a list, you'll likely get more calls.
- Ignore online offers for vaccinations and unproven home test kits.
- Ignore texts and emails about cash from the government. Stimulus checks will be forthcoming, but, per the FTC, anyone who tells you they can get you the money now is a scammer.
- Please be leery of emails that claim to be from Centers for Disease Control and Prevention (CDC) or experts that claim they have information about the virus. For the most up-to-date information about coronavirus, visit the websites of the CDC or the World Health Organization (WHO).
- On the same note, malware and phishing scams are on the uptick. Legitimate companies will never ask you to verify passwords or usernames via an email. Fraudsters will.
- Do you see misspelled words or grammatical mistakes? That's a sure sign that the official-looking email originated from a suspicious source.

**Please be aware of the substantial potential for fraud at this time and be careful.**

Here's a warning from the Securities and Exchange Commission (SEC) that was updated on March 30:

*Fraudsters often use the latest news developments to lure investors into scams. We have become aware of a number of Internet promotions claiming that the products or services of publicly traded companies can prevent, detect, or cure coronavirus, and that the stock of these companies will dramatically increase in value as a result. ▲*

Index	1st Quarter Total Return
S&P 500	-19.60%
Russell Mid Cap	-27.07%
Russell 2000	-30.61%
MSCI EAFE	-22.83%
Bloomberg Barclays US Aggregate Bond	3.15%
Bloomberg Barclays Muni Bond Index	-0.63%
Dow Jones Industrial Average	-22.73%

\*Index return data as of 3/31/2020 provided by Morningstar Direct<sup>SM</sup>

## Quarterly Market Review

The shockingly rapid proliferation of the COVID-19 pandemic brought the U.S. and global economy to an abrupt halt in March, creating a surreal environment where much of the global population is "locked down" to prevent spread of the dangerous novel virus. The first case of COVID-19 was reported on December 1st in Wuhan, China and has since been reported in over 180 countries and all 50 U.S. states. The unprecedented measures taken to "slow the spread" have wreaked havoc on the global economy, resulting in a significant stock market selloff and historic volatility in financial markets worldwide.

- Prior to the onset of the pandemic in the U.S., the S&P 500 reached an all-time high on February 19th before experiencing one of the most rapid bear market declines in history, falling more than 30% by March 23rd before recovering some in the final days of the quarter.
- While all market segments and economic sectors have been profoundly impacted, Large Cap U.S. stocks and the Information Technology sector specifically have remained the stalwarts among global stocks, continuing a trend of relative outperformance. The Energy sector was the weakest among the 11 sectors of the S&P 500, as oil and natural gas prices plummeted.
- The strong U.S. dollar and corresponding weakness in foreign currencies impacted the returns of foreign stocks, which underperformed U.S. Large Cap stocks in the first quarter. Small company stocks, represented by the Russell 2000, took the brunt of the market decline, falling more than 30% in the first quarter as these stocks are highly sensitive to changes in the economic picture.
- Volatility extended to the bond market as U.S. Treasury yields established new all-time lows. The 10-year Treasury yield, a key reference rate, fell below 1% for the first time in history. Corporate bonds experienced sharp price declines in March as investors now expect a flood of ratings downgrades and higher default rates. ▲

## News and Notes

- In response to the pandemic and its looming economic impact, emergency measures by the Federal Reserve have reduced the Federal Funds rate to its "lower bound", a range of 0%-0.25%, the level that previously existed from 2008-2015 in response to the Global Financial Crisis of 2007-2009.
- The Coronavirus Aid, Relief and Economic Security Act or CARES ACT was signed into law by President Trump on March 27th, providing in excess of \$2 trillion in economic stimulus to address the fallout from the pandemic, the largest-ever economic stimulus package in U.S. history.
- Oil prices experienced their largest quarterly decline on record, falling from the mid- \$60s per barrel to ~ \$20/barrel at quarter end, a decline of nearly 70% in reaction to the abrupt change in demand related to the pandemic coupled with a price war between Saudi Arabia and Russia after negotiations to reduce output fell apart in early March.
- The longest bull market in U.S. history ended in March amidst the abrupt 20% + decline in the S&P 500. It is expected that the U.S. economic expansion, also the longest on record at nearly 11 years in duration will fall short of its 11th anniversary given the anticipated economic shock from the pandemic. ▲





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## Stay Safe, Stay Strong

With the recent market turmoil driven by the coronavirus pandemic, people are understandably worried not only about the safety of their loved ones but also their finances. This is why you'll be continuing to hear regularly from your TSWM Team.

Remember, you have a long-term financial plan that is based upon your goals, risk tolerance and time horizon. This financial plan has helped to determine an asset allocation designed to manage risk and to keep from making bad decisions in the heat of the moment. Your portfolio is based on Nobel prize-winning investment strategies that have protected investors for the last 60+ years, and they are protecting you now.

There have also been a lot of legislative developments and changes that are intended to help individuals and companies get through this challenging period.

**The following three Acts passed in pretty short order:**

- **Coronavirus Preparedness and Response Supplemental Appropriations Act** was signed into law on March 6th and provides an estimated \$8.3 billion in emergency funding for research and development of vaccines, therapeutics and diagnostics, public health funding, and medical supplies, health-care preparedness, etc.
- **Families First Coronavirus Response Act** was signed into law on March 18th and, quoting from the White House statement, "provides paid leave, establishes free coronavirus testing, supports strong unemployment benefits, expands food assistance for vulnerable children and families, protects front-line health workers, and provides additional funding to states for the ongoing economic consequences of the pandemic, among other provisions."
- **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)** was signed into law on March 27th and includes a number of significant provisions to assist small businesses and individuals during the current crisis. Many details will be worked out over the next few weeks and your tax advisor should be the primary contact for many of these issues, especially the small business provisions.

**This is a brief overview of some of the items that are most likely to affect you.**

- Many taxpayers will receive rebate checks of \$1,200 (single with AGI less than \$75,000) or \$2,400 (MFJ AGI up to \$150,000) plus additional \$500 for each child under 17. There is a phase out at an Adjusted Gross Income (AGI) of \$75,000-\$99,000 for single and \$150,000-\$198,000 for married filing jointly.
- Regular unemployment benefits are increased by \$600 per week for up to 4 months.
- Required Minimum Distributions (RMDs) waived in 2020 for IRAs, inherited IRAs, and most qualified plans.
- Charitable contribution deduction limits are raised from 60% to 100% of AGI for cash donations to a qualified public charity. A new qualified charitable contribution of up to \$300 is available for those who do not itemize deductions.
- Coronavirus related distribution/loans of up to \$100,000 can be made from retirement accounts and IRAs. The related income taxes can be spread pro-rata over 3 years. There is no 10% penalty for early withdrawal and no mandatory withholding requirements.
- Principal and interest payments on all federal student loans waived through Sept.30th (and interest doesn't accrue). Individuals should contact their loan providers to suspend payments. Any employer payments of up to \$5,250 to an employee or lender of qualified student loans are excluded from income for 2020.
- Flexible Spending Accounts, Health Savings Accounts, Medical Savings Accounts can now be used to purchase over-the-counter (not just prescription) drugs and medicines as well as menstrual care products.
- Tax Filing deadlines (for income tax, estate tax, and gift tax returns) are delayed from April 15 to July 15. Payments due for those returns are delayed to July 15 as well. Estimated income tax payments that would have been due on April 15 are also delayed to July 15. However, the June 15 estimated tax payment is not delayed. Most states have moved their deadlines to match.
- While your CPA is probably the primary contact for many of these issues, please let us know if we can be of any assistance. We are here for you and we will get through this together.