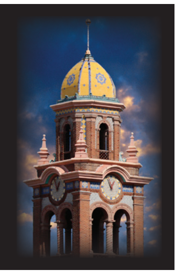
A View from the Tower



First Quarter Summary 2020

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What a difference a quarter, and even a month, can make. As recently as mid-February, the stock market was at an all-time high. Since that time, we have seen the coronavirus spread throughout the world, not only ravaging the equity markets, but also throwing fixed income markets for a loop. An additional contributor was the precipitous fall in the price of oil accelerated by a price war between Saudi Arabia and Russia. In the first quarter of 2020, the S&P 500 finished off nearly 20%. International markets saw the same weakness with developed markets declining close to 23% and emerging markets close to 24%. While interest rates declined during the quarter as investors pursued a flight to quality, bond returns were mixed as investors became concerned with the potential higher risk for defaults as government mandates halted economic activity worldwide.

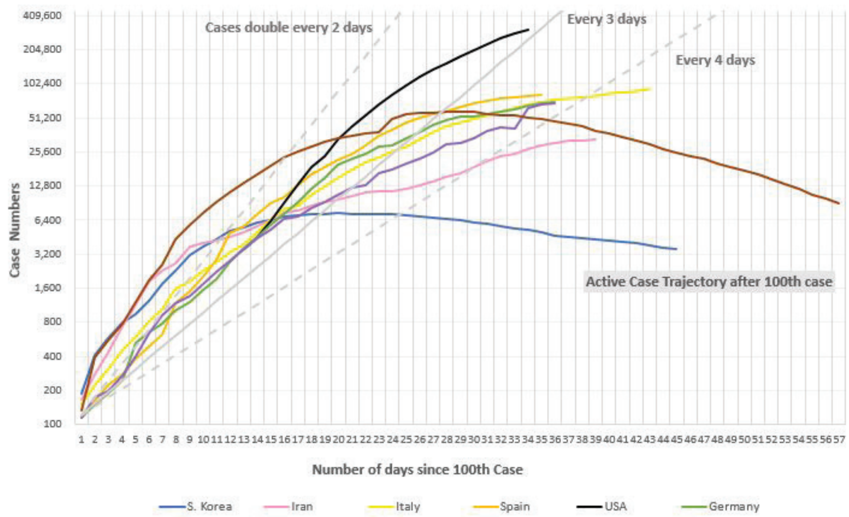
What started as a relatively unknown virus in China in January has now become known across the globe as COVID-19. This virus is now present in more than 209 countries and has impacted more than 1.3 million people in the world. The U.S. currently has the largest number of infections at approximately 360,000. In a very short period of time, the virus had a profound effect on the economy. As businesses are shuttering for "social distancing" reasons, airlines such as Delta saw revenues decline 80%, hotels such as Marriott 75%, and restaurants, including the iconic and typically insulated Waffle House, 70%. This caused companies to start laying off employees across the U.S. resulting in the highest jobless claims number in U.S. history. As of March 28, 6.6 million people filed initial jobless claims as depicted in the chart on the following page:

Source: Department of Labor, weekly jobless claims data (seasonally adjusted), https://oui.doleta.gov/unemploy/claims.asp

While all of this has been overwhelmingly perceived as negative for the market and economy, there are some positives to consider. We may have already witnessed a pattern to lean on with the virus hitting China first. China saw virus case growth increase until the middle of February, then plateau, and has since decreased dramatically. The epicenter of the virus, Wuhan, China, has indicated it will be opening back up in early April. China, as a whole, has slowly seen economic activity start to come back with companies such as Starbucks now reopening over 80% of its stores and most recently Purchasing Managers' Index (PMI) data (an indicator for GDP growth) for the country spiked back to 52 in March vs. approximately 36 in February. Second, we have also seen the virus peak in other countries such as South Korea. If the U.S. follows these same glide paths, we will hopefully see the virus peak in April or early May and then start to decline in the following months. Potentially (and hopefully), we may see business in the U.S. starting to return to some sense of normalcy as early as the second quarter or, hopefully, by the third quarter at the latest.

The current trend of the virus for several countries can be seen below:

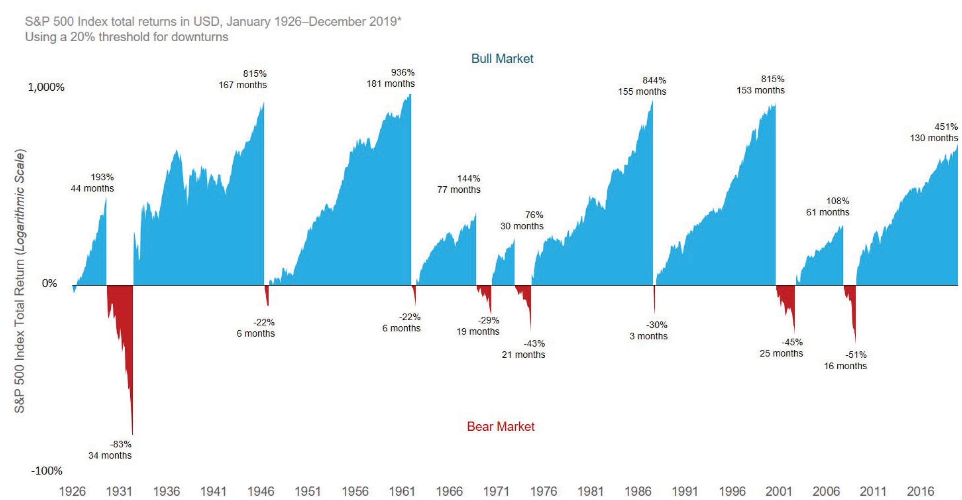
Coronavirus 2020



*** Data as of April 5, 2020**
Source: https://www.worldometers.info/coronavirus/

One should also note that we are starting to see the daily growth rate slow in Italy, Germany and even the U.S. of late as well. Let us hope for everyone's sake that this trend continues.

Finally, the market has already started to discount some of these headwinds for the economy. The S&P 500 dropped about 35% from its highs in February, which is close to a normal correction one would historically anticipate during a recession. Please see the chart below through December 2019:



***Please note that during the First Quarter 2020 the S & P 500 had a -19.6% return with a maximum drawdown of -35.4% which is not depicted in the chart above.**
Source: S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.
Past performance is no guarantee of future results. Indices are not available for direct investments; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio

While the market is discounting weakness in the economy, the Federal Reserve and U.S. Government have enacted several policies to help support the market and economy. The Fed cut short-term interest rates by 1.50% to almost zero and continues to provide significant liquidity into the fixed income market. Fiscal legislation is injecting $2 trillion into the economy by supporting some key industries, providing many individuals with a $1,200 stimulus check, and potentially even taking an ownership stake in some companies. These policies have been welcomed by the market of late.

As we assess the market today, we would expect it to remain volatile and likely within a trading range until there is more clarity surrounding COVID-19. Like tragic events in years past, including 9/11, we would expect the U.S. economy to rebound from this and to come out stronger on the other side. Times like these can lead to innovation as employees become more accustomed to working from home, health care companies bring new tests and vaccines to market quickly, etc. Americans are resilient and we believe, while painful, the world will likely be an even better place once we make it to the other side of this virus. It has been encouraging to see our communities come together over the past couple of weeks and families focusing more on each other. Families going for walks together, kids playing catch and/or soccer in their yards with their parents, etc. We hope you and your family are able to appreciate the extra time you now might find yourselves having together during the current new normal that is "social distancing."

Should you have any questions, we at Country Club Trust Company/Tower Wealth Managers are always here for you. Please feel free to contact your Trust Administrator or Portfolio Manager anytime with questions or concerns.

We will get through this together.

Take care and stay healthy!

Thank you for your continued trust and confidence in Tower Wealth Managers.
We sincerely appreciate your loyalty and business. All of us at Tower Wealth Managers and Country Club Trust Company greatly appreciate the honor of serving you and your families.
Please do not hesitate to contact us any time we may be of assistance.