



C.W. O'Conner Wealth Advisors, Inc.

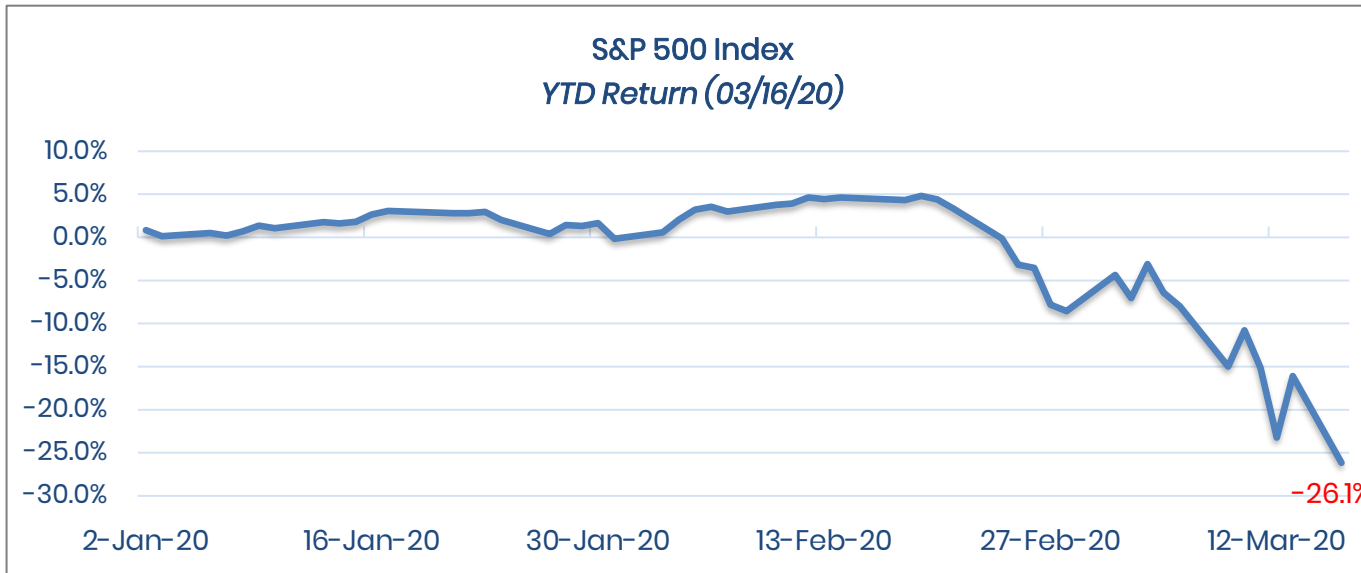
Maintaining Longer-Term Perspective During Heightened Volatility

March 2020

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THE BULL MARKET COMES TO AN END

S&P 500 Index
YTD Return (03/16/20)



03/09/20	-7.6%
03/10/20	+4.9%
03/11/20	-4.9%
03/12/20	-9.5%
03/13/20	+9.3%
03/16/20	-12.0%
3/9 – 3/16	-19.7%

- On March 11, the S&P 500 Index entered a “bear market,” ending the 11-year bull market
- As of March 16, the S&P 500 Index is down 26% for the year (nearly 30% since its February 19 high)
- Six straight days of +/- 4% moves (longest such stretch since 1929)
- Of the 16 trading days between February 24 and March 16:
 - The S&P 500 Index has had 9 days with a close +/- 4% (only 10 such days from 2010–2019)
 - Average daily move of +/- 4.8%

Source: Yahoo Finance

HEIGHTENED MARKET VOLATILITY

Recent volatility is reminiscent of the 2008 Financial Crisis

CBOE Volatility Index (VIX)
YTD-2020



CBOE Volatility Index (VIX)
9/2008 - 3/2009



- On Monday, March 16, 2020, the CBOE Volatility Index reached a 52-week high at 83.56
- The financial crisis had only one day with a higher VIX reading (89.53 on 10/24/08)

Source: Yahoo Finance

VERY FEW PLACES TO HIDE

The past month has proved to be challenging for all asset classes, including bonds

	YTD (3/16/2020)	Performance since 2/14/20	2019	Performance since 1/1/2019
FIXED INCOME				
* TIPS (Barclays US TIPS)	-0.2%	-2.0%	8.4%	8.2%
* Core Domestic (Barclays Aggregate)	3.3%	1.3%	8.7%	12.2%
* Municipal (Barclays Municipal 5-Year)	-1.3%	-2.5%	5.4%	4.0%
* High Yield Municipal (Barclays HY Municipal)	-5.4%	-7.8%	10.7%	4.7%
* High Yield (Barclays Corporate High Yield)	-11.6%	-12.5%	14.3%	1.1%
* Int'l Hedged (Barclays Global Agg Ex USD Hedged)	0.6%	-1.1%	7.6%	8.2%
* Int'l Unhedged (Barclays Global Agg Ex USD)	-1.1%	-0.2%	5.1%	4.0%
* Em Mkts Debt (JPM GBI EM Global Diversified)	-13.1%	-12.3%	13.5%	-1.3%
EQUITIES				
* Large Cap (S&P 500)	-25.8%	-29.3%	31.5%	-2.5%
* Small Cap (Russell 2000)	-37.6%	-38.4%	25.5%	-21.7%
* International (MSCI EAFE)	-29.7%	-29.5%	22.0%	-14.3%
* Emerging Markets (MSCI Emerging Markets)	-25.1%	-24.7%	18.4%	-11.3%
REAL ASSETS				
* Domestic Real Estate (NAREIT Equity REIT)	-32.4%	-36.4%	26.0%	-14.8%
* Global Real Estate (S&P Developed Property)	-30.3%	-33.1%	22.8%	-14.4%
* Energy Infrastructure MLPs (Alerian MLP)	-57.2%	-54.8%	6.6%	-54.4%

Source: Morningstar Direct

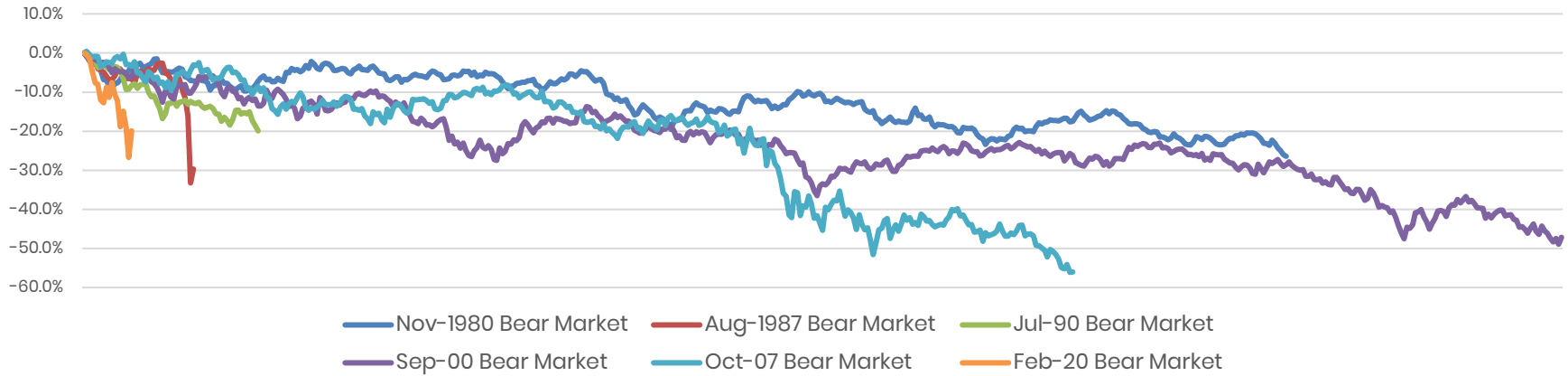


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BEAR MARKETS SINCE 1980

Peak-to-Trough Declines



— Nov-1980 Bear Market — Aug-1987 Bear Market — Jul-90 Bear Market
— Sep-00 Bear Market — Oct-07 Bear Market — Feb-20 Bear Market

Starting Market Peak	# Months to Reach Bear Market	Start of Bear Market	# Months from Peak to Bear Market Low	Bear Market Low	Peak-to-Trough Decline	# Months from Bear Market Low to Regain Prior High	First Close above Prior High	6 Months after Bear Market Low	12 Months after Bear Market Low
Nov-80	10.0	Sep-81	20.4	Aug-82	-28%	2.8	Nov-82	44%	57%
Aug-87	1.8	Oct-87	1.8	Oct-87	-36%	21.2	Jul-89	19%	28%
Jul-90	2.9	Oct-90	2.9	Oct-90	-20%	4.6	Mar-91	28%	30%
Sep-00	5.7	Feb-01	25.3	Oct-02	-50%	55.6	May-07	13%	35%
Oct-07	5.2	Mar-08	16.8	Mar-09	-58%	49.1	Apr-13	52%	71%
Feb-20	0.7	Mar-20	0.7	???	-30%	???	???	???	???

Source: Yahoo Finance

NOTABLE REBOUNDS AMID UNCERTAINTY

15 of the 20 single-best days for the S&P 500 Index have occurred during bear markets

Date	Daily % Return	Bull or Bear Market	Prior to Rebound, S&P 500...
10/13/08	11.58	Bear	dropped 15% in prior week
10/28/08	10.79	Bear	dropped 11% in prior week
03/13/20	9.29	Bear	dropped 14% over prior two days
10/21/87	9.10	Bear	down nearly 30% in prior week
03/23/09	7.08	Bull	recently concluded -57% bear market
11/13/08	6.92	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
11/24/08	6.47	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
03/10/09	6.37	Bull	recently concluded -57% bear market
11/21/08	6.32	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
07/24/02	5.73	Bear	down 48% from March 2000 high
09/30/08	5.42	Bear	in the midst of 30% drop from October 2007 high
07/29/02	5.41	Bear	down nearly 40% and attempting to stabilize
10/20/87	5.33	Bear	down nearly 30% in prior week
12/16/08	5.14	Bear	in deeper bear market after rebound attempt; no bottom until March 2009
10/28/97	5.12	Bull	down 11% in same month
09/08/98	5.09	Bull	down 18% in prior three months
05/27/70	5.02	Bull	just concluded 36% bear market
01/03/01	5.01	Bear	down 16% from March 2000 high
12/26/18	4.96	Bear	down 20% in prior 4 months
10/29/87	4.93	Bear	stabilizing in aftermath of Black Monday

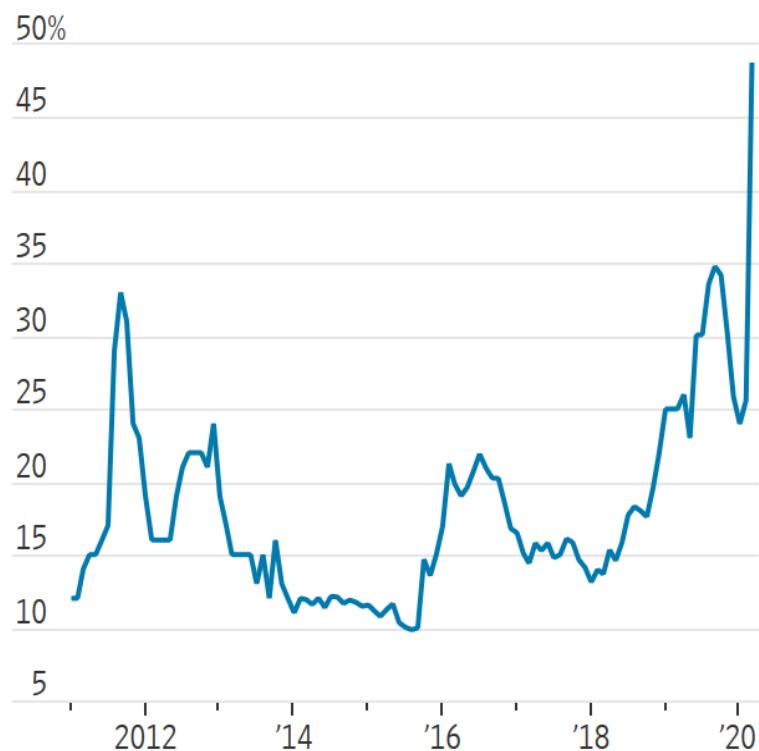
Source: Charles Schwab, Bloomberg, as of 3/16/2020. This example is for illustrative purposes only. Bull and bear markets classified using rounded +/-20% changes in S&P 500. Note: March 2000-October 2002 and October 2007-March 2009 are considered bear markets. Past performance is no indication of future results.

A COMING RECESSION?

- Given the sharp increase in global COVID-19 cases, the risk of a recession (both domestically and globally) has risen sharply
- In the latest *WSJ* survey (March), economists now forecast:
 - U.S. Q1 GDP at 1.3% (down from 1.6%)
 - U.S. Q2 GDP at -0.1% (down from 1.9%)
 - U.S. Q3 GDP at 1.2% (down from 2.0%)
 - U.S. Full-Year 2020 GDP at 1.2%
- Many economists believe the subsequent economic recovery may be a U-shaped recovery (prolonged bottom) rather than a V-shaped recovery
- The paradox of “virus economics” (economist Austan Goolsbee)

Recession Odds Rising

The average probability of the U.S. economy being in a recession within the next 12 months



Source: WSJ Survey of Economists

PAST RECESSIONS & MARKET RETURNS

U.S. equity markets have rallied meaningfully following multiple different U.S. recessionary periods.

INDEX PEAK	INDEX TROUGH	MONTHS TO TROUGH	PEAK TO TROUGH DECLINE	6-MONTH RETURN AFTER TROUGH
June 1948	June 1949	12	-21%	+23%
January 1953	September 1953	8	-15%	+18%
August 1956	October 1957	15	-22%	+10%
August 1959	October 1960	15	-14%	+25%
November 1968	May 1970	18	-36%	+21%
January 1973	October 1974	21	-48%	+30%
February 1980	March 1980	1	-17%	+31%
November 1980	August 1982	21	-27%	+42%
July 1990	October 1990	3	-20%	+29%
March 2000	October 2002	31	-49%	+12%
October 2007	March 2009	17	-57%	+50%
AVERAGE		15	-30%	+26%
MEDIAN		15	-22%	+25%

Source: BofA Global Investment Strategy, Bloomberg as of 3/13/20.

CLIMBING THE 10-YEAR WALL OF WORRY

There have been numerous events over the past 10+ years that would have suggested a possible end to the sustained bull market.

Reasons to Sell

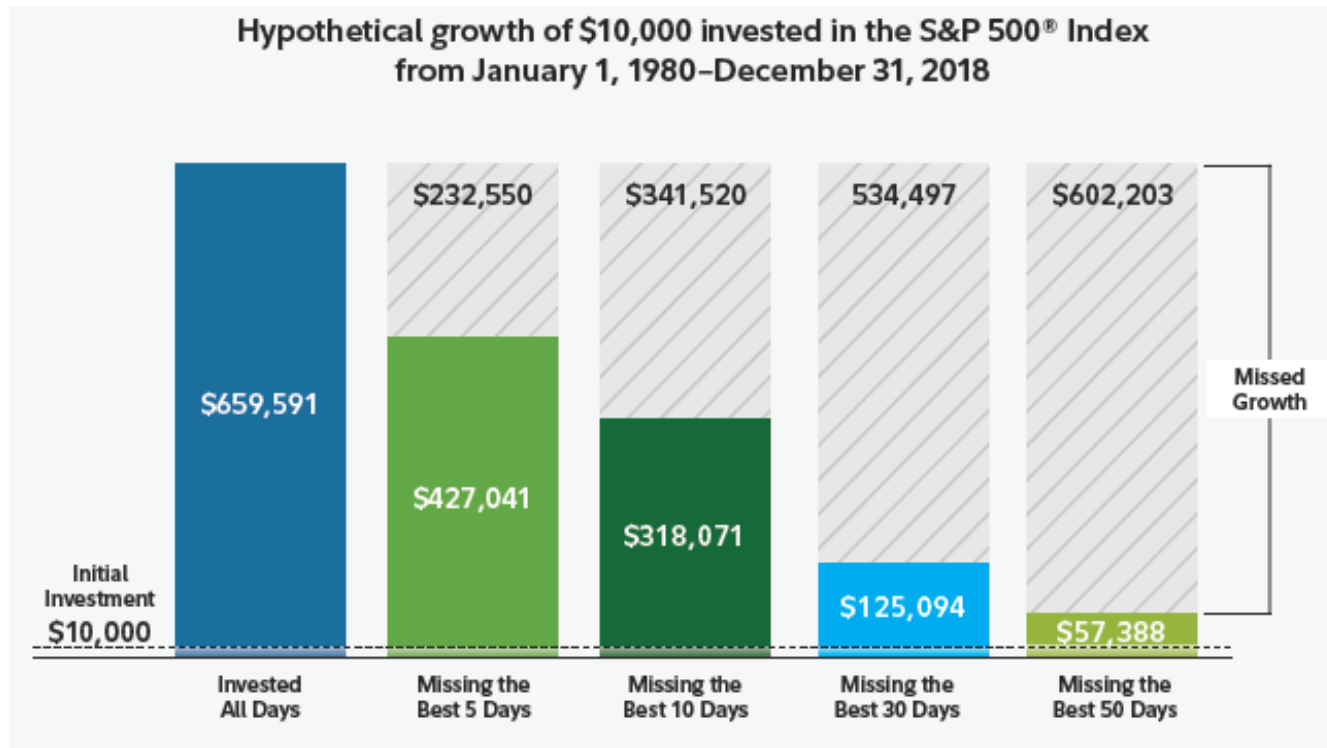


Data Source: StockCharts.com. S&P 500 Total Return

Source: Marketwatch

MANAGING MARKET VOLATILITY

Some of the market's best days occur in the midst of heightened uncertainty; missing out on a significant recovery can have a meaningful impact on longer-term returns.



Source: Fidelity Investments, Bloomberg.

“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.” – Peter Lynch

QUESTIONS? WE'RE HERE TO HELP.



Cliff O'Conner, CIMA®, CPWA®, ChFC®



Kevin O'Conner, CIMA®

If you have questions about the topics covered in this material, please reach out to us directly at (770) 368-9919, or email Cliff at cliff@cwoconner.com or Kevin at kevin@cwoconner.com.

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