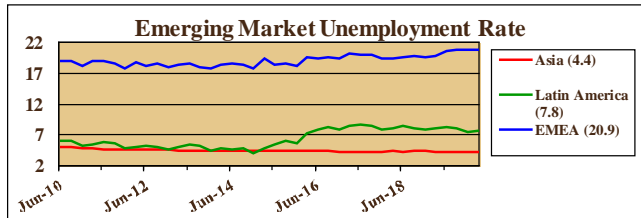
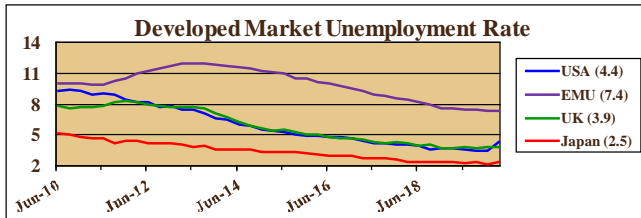
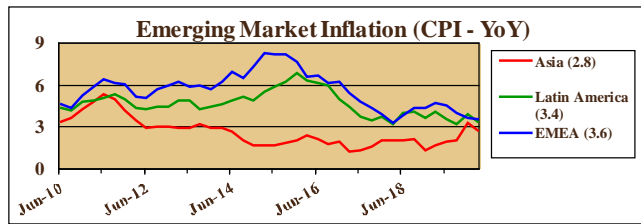
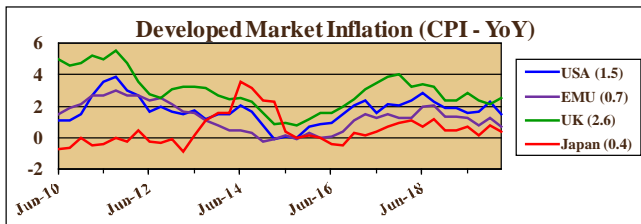
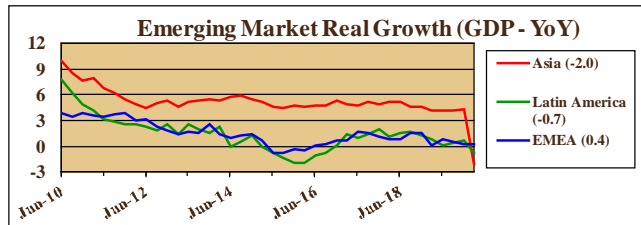
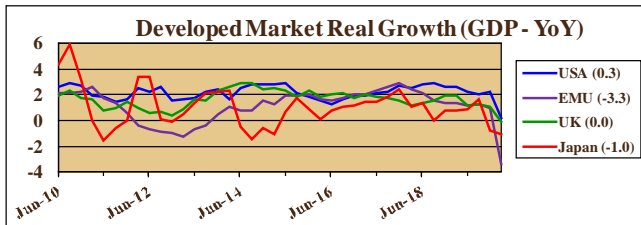


First Quarter 2020

Global Market and Economic Perspective

Global Economic Commentary

- ❖ Although the Coronavirus (COVID-19) began in China in late 2019, its rapid spread and the resulting government lock-down measures to combat the virus did not materially affect the global economy until the end of the first quarter. The true economic impact of COVID-19 will not be seen until second quarter data is available.
- ❖ The pandemic caused sharp drops in consumer sentiment and spending. Oil prices also fell substantially due both to severely dampened demand, from the decline in travel, and to a supply glut, from Saudi Arabia’s ill-timed output “war” with Russia.
- ❖ In the US, what had been the strongest labor market in 50 years turned quickly into near-depression levels of unemployment. The last two weeks of March saw over 10 million initial claims for unemployment insurance (with another 20+ million initial claims in April).
- ❖ To control the virus’ spread and potential for accelerating death rates, many countries (Italy, Spain, UK, US) shut down a wide range of businesses and restricted movement of people. These measures had the biggest effect on travel-related firms (airlines, hotels), group gatherings (sporting events, business meetings, parties/weddings), and “non-essential” service industries that rely on face-to-face interaction (retail, restaurants).



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Stairway Partners is an SEC-registered Investment Advisor providing comprehensive investment advice and industry-leading portfolio management solutions. Our firm was created to provide institutions and individual investors with transparent and cost-effective stewardship of their assets. Our sophisticated investment capabilities and a steadfast commitment to the industry’s best practices have allowed us to serve as a valued advisor and trusted fiduciary to clients throughout the United States. For more information, please call (630) 371-2626 or email us at stairwaypartners@stairwaypartners.com.

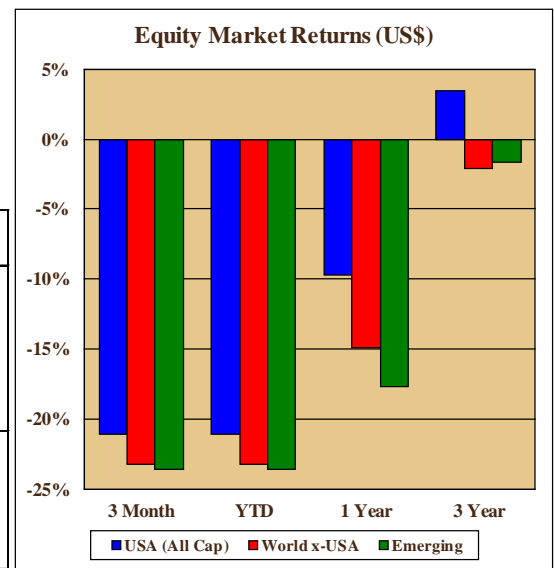
Global Market and Economic Perspective – Q1 2020

Global Equity and Currency Commentary

- ❖ The rapid darkening of the economic and profits outlook caused equity prices to suffer sharp declines in February and March. Sectors that were hit hard included energy (due to the slump in demand) and financials (as repayments on many loans looked increasingly uncertain).
- ❖ Outside the US, equity index returns in both developed and emerging markets in their own local currencies were similar to the broad US equity market's return. However, US dollar strength against other currencies detracted further from non-US equity returns.
- ❖ The currencies of commodity exporting countries were especially weak, given the expected declines in industrial production and international trade.

Global Equity Market Returns (MSCI)

3/31/2020	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	-21.1%	-21.1%	-9.7%	3.4%				
USA Growth	-13.7%	-13.7%	1.9%	10.8%				
USA Value	-25.9%	-25.9%	-17.0%	-2.0%				
USA SC Growth	-25.5%	-25.5%	-16.9%	2.3%				
USA SC Value	-37.3%	-37.3%	-32.8%	-10.7%				
Foreign Developed								
World x-USA	-23.3%	-23.3%	-14.9%	-2.1%	-20.5%	-20.5%	-12.8%	-1.9%
Europe	-24.3%	-24.3%	-15.5%	-2.3%	-21.8%	-21.8%	-13.3%	-2.6%
Far East	-17.3%	-17.3%	-9.3%	0.7%	-17.7%	-17.7%	-11.1%	-0.2%
Australia	-33.2%	-33.2%	-26.3%	-7.9%	-23.3%	-23.3%	-14.5%	-0.9%
Canada	-27.5%	-27.5%	-19.9%	-4.7%	-20.5%	-20.5%	-14.7%	-2.6%
Emerging Markets								
Emerging	-23.6%	-23.6%	-17.7%	-1.6%	-19.1%	-19.1%	-13.0%	1.3%
Asia	-18.1%	-18.1%	-12.1%	1.3%	-16.2%	-16.2%	-10.4%	2.4%
Latin America	-45.6%	-45.6%	-40.8%	-13.0%	-31.8%	-31.8%	-24.0%	-1.3%
EMEA	-33.9%	-33.9%	-27.7%	-8.1%	-24.1%	-24.1%	-18.5%	-1.8%

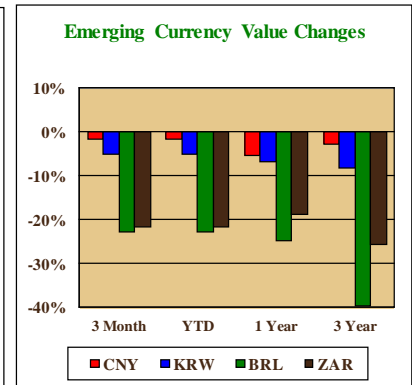
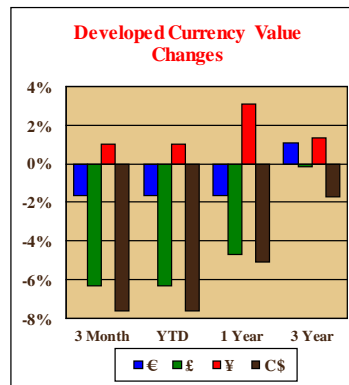


Annualized if greater than one year

Foreign Exchange Rate History (Bloomberg)

3/31/2020	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.10	-1.6%	-1.6%	-1.7%	1.1%
British Pound (£)	1.24	-6.3%	-6.3%	-4.7%	-0.1%
Japanese Yen (¥)	108	1.0%	1.0%	3.1%	1.3%
Canadian Dollar (C\$)	1.41	-7.6%	-7.6%	-5.1%	-1.7%
Emerging					
Chinese Renminbi (CNY)	7.08	-1.7%	-1.7%	-5.2%	-2.7%
Korean Won (KRW)	1219	-5.1%	-5.1%	-6.8%	-8.3%
Brazilian Real (BRL)	5.21	-22.7%	-22.7%	-24.7%	-39.5%
South African Rand (ZAR)	17.84	-21.5%	-21.5%	-18.7%	-25.5%

Annualized if greater than one year



Global Market and Economic Perspective – Q1 2020

US Fixed Income and Fed Commentary

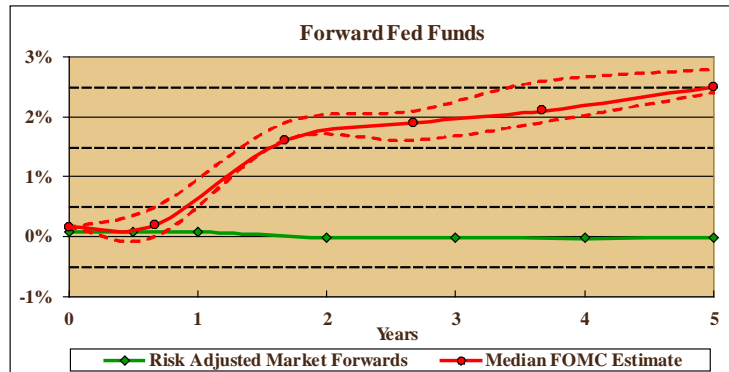
- ❖ In response to the developing coronavirus-induced economic calamity, the Federal Reserve cut its policy interest rate target by 1.5% in two unscheduled March meetings. In addition to the historically large and abrupt rate cuts, the Fed also expanded its balance sheet by over \$2 trillion by purchasing a wide variety of bonds, in an effort to provide liquidity to public debt markets. Again, the speed and magnitude of the Fed’s purchase program was historically significant. Before the financial crisis in 2008, the Fed’s balance sheet never exceeded \$1 trillion. As of the end of April, the total value of the Fed’s balance sheet had grown to over \$6.5 trillion.
- ❖ Although yields had fallen and prices had risen on Treasury bonds in January and February, the Fed rate cuts were met with a *rise* in yields in March. Pundits offered several explanations for this abnormal relationship, including fear related to the explosion of federal government borrowing, and selling by leveraged investors and corporations to meet margin calls and raise cash.
- ❖ In addition to the rise in Treasury yields, March saw a dramatic widening of credit spreads on both investment-grade and high yield corporate bonds. The equity market decline and expected weakness in profits in many industries drove bond prices and returns sharply lower.

FOMC Fed Funds Rate Projections as of December 2019 Meeting						
	Current	Dec-20	Dec-21	Dec-22	Dec-23	Long Run
Upper	0.15%	0.00%	1.60%	1.60%	1.90%	2.40%
Median	0.15%	0.20%	1.60%	1.90%	2.10%	2.50%
Lower	0.15%	0.50%	1.90%	2.10%	2.60%	2.80%

Market Implied Fed Funds Rate as of Apr 01, 2020						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.08%	0.08%	0.09%	-0.01%	-0.01%	-0.02%	-0.01%

Notes

Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through March 2020			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	0.30%	-1.32%	-1.32%	-1.98%	-1.20%
Intermediate	0.57%	-1.24%	-1.24%	-1.76%	-1.64%
Long	1.31%	-1.03%	-1.03%	-1.45%	-1.64%
US High Yield					
Yield	9.44%	4.25%	4.25%	3.01%	3.60%
Spread	8.80%	5.43%	5.43%	4.88%	4.97%
Tax-Exempt Muni.					
Short	1.22%	0.12%	0.12%	-0.34%	-0.09%
Intermediate	1.51%	0.04%	0.04%	-0.43%	-0.65%
Long	2.01%	0.02%	0.02%	-0.52%	-0.99%

