

SALISBURY TRUST

WEALTH ADVISORY SERVICES

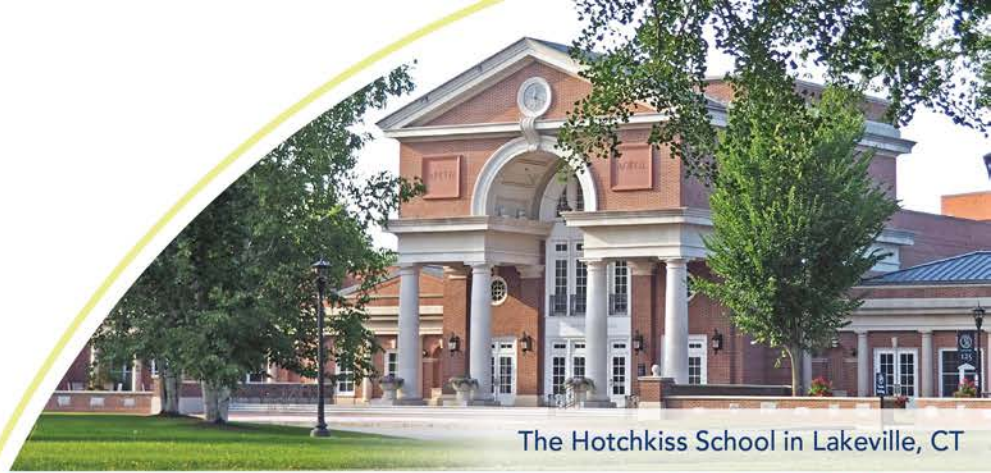
A Division of Salisbury Bank and Trust Company

2020

MAINTAINING LONGER-TERM PERSPECTIVE IN THE MIDST OF HEIGHTENED VOLATILITY

invested in our customers,
our employees & our
communities

enriching!



The Hotchkiss School in Lakeville, CT

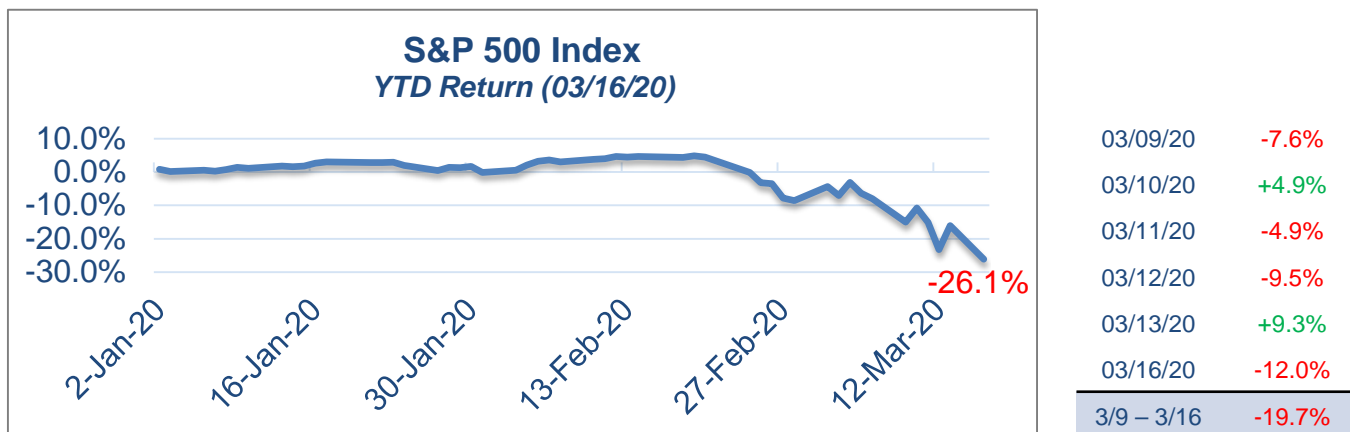


Main Street in Great Barrington, MA



Vanderbilt Mansion National Historic Site in Hyde Park, NY

THE BULL MARKET COMES TO AN END

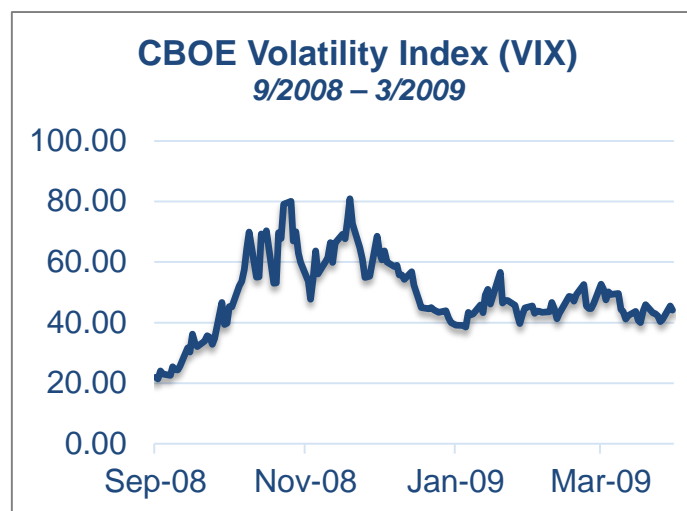
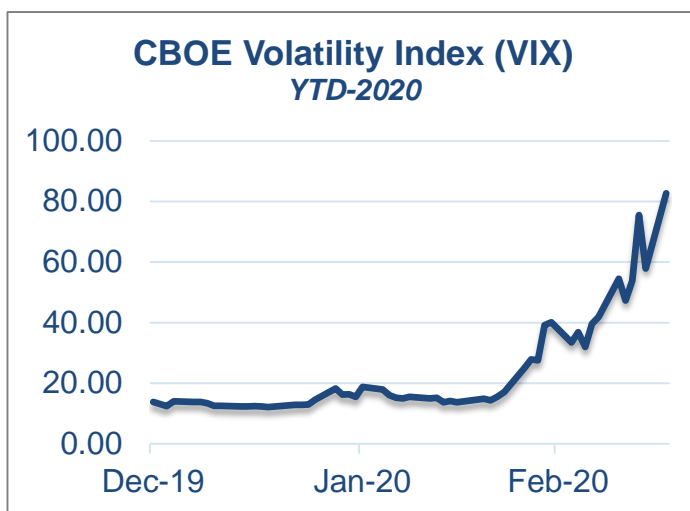


- On March 11, the S&P 500 Index enter a 'bear market,' thus ending the 11-year bull market
- As of March 16, the S&P 500 Index is down 26% for the year (nearly 30% since its February 19 high)
- Six straight days of +/- 4% moves (longest such stretch since 1929)
- Of the 16 trading days between February 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



- 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

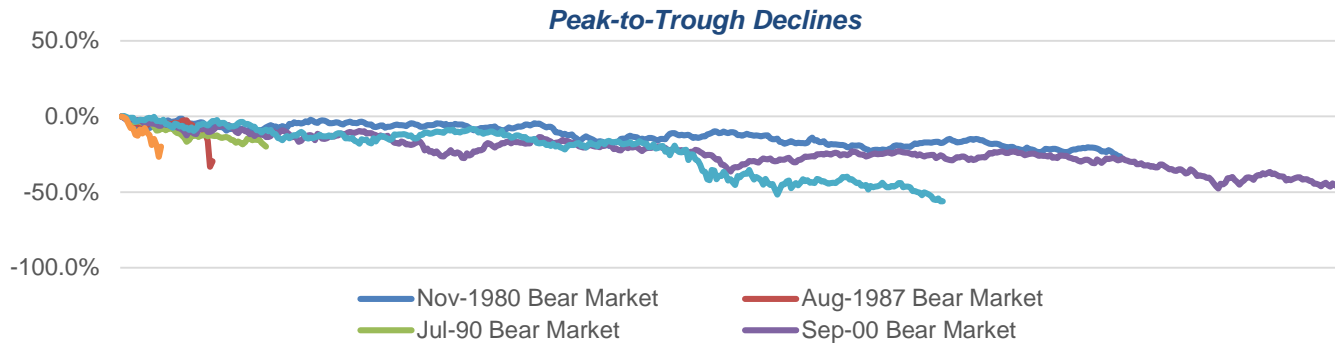
VERY FEW PLACES TO HIDE

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

	YTD (3/16/2020)	Performance since Feb 14 th	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

BEAR MARKETS SINCE 1980



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) have 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.

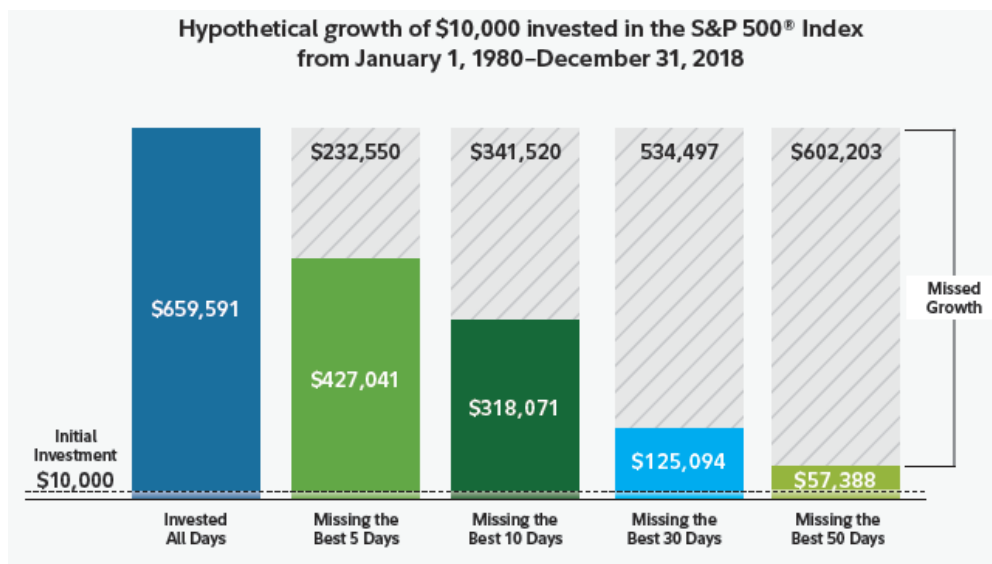
Reasons to Sell



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