THRIVENT ASSET MANAGEMENT

Market update from Thrivent

March 20, 2020

Mark Simenstad, CFA
Chief Investment Strategist,
Thrivent Asset Management

It was another extremely volatile and technically oriented day in the markets, driven predominantly by developments in the global coronavirus situation, but also by actions of the Federal Reserve and some by technical conditions in the derivatives markets.

States take additional action to address coronavirus situation

The number of COVID-19 cases and deaths in Europe and the United States continues to accelerate. California declared a statewide mandate for citizens to stay in their homes. This follows "shelter in place" directives that had been previously put in place in Northern California. Other states are considering following this approach, specifically Illinois and New York. Meanwhile, there has been meaningful progress on significantly scaling up testing programs. However, this will still take time to reach the level that is needed.

Federal Reserve begins buying program

The Federal Reserve began its very large program of buying treasury and mortgage-backed securities. It bought a total of $275 billion in securities out of the previously announced $500 billion program. This resulted in driving long-term treasury bond prices sharply higher and yields lower. In the mortgage bond securities market, which had been experiencing serious dislocations due to the unwinding of leveraged positions, mortgage bond yields declined approximately 40 basis points more than comparable maturity treasury bonds as prices rose.

Finally, the Federal Reserve announced a program that provides liquidity support to money market mutual funds. This is critical in ensuring the smooth functioning of the "plumbing" of the financial system. In short, the Fed continues to aggressively fulfill its role in supporting the integrity and functioning of the financial system, particularly providing U.S. dollar liquidity for both domestic and foreign financial institutions. Large scale fiscal policy plans are also still developing, but one new policy decision was announced which will affect everyone: the deadline for tax returns has been pushed back to July 15, 2020.

Equity market driven by technical developments

The equity market, in addition to factoring in coronavirus and Federal Reserve news, was also driven by technical developments. Today happened to be a day known as a "quadruple witching" day. Although the moniker sounds ominous, it just means that a variety of derivative contracts, futures and options, were expiring today. This happens on a quarterly cycle and usually is a benign event. However, in an environment characterized by illiquidity and a

scramble for cash, this expiration date can cause heightened volatility. Finally, investors—particularly those whose strategies are driven by technical or chart pattern indicators—have been closely watching a key number on the S&P 500. That number, approximately 2350, is the previous low registered on December 24, 2018. That level was breached at the close of trading today.

In summary, there was some good news today in that the credit markets began to respond favorably to work done by the "master plumber" – the Federal Reserve. However, skittishness over the sharply rising COVID-19 curve, concern over what the additional impact of shutting down large states will have on the economy, and a negative overall technical backdrop all conspired to drive stocks lower.

All information and representations herein are as of March 20, 2020, unless otherwise noted.

The views expressed are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Thrivent Asset Management associates. Actual investment decisions made by Thrivent Asset Management will not necessarily reflect the views expressed. This information should not be considered investment advice or a recommendation of any particular security, strategy or product. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon, and risk tolerance.

Past performance is no indication of future results.

Thrivent Asset Management, LLC, is an SEC-registered investment adviser and subsidiary of Thrivent Financial for Lutherans.

Media contact: Samantha Mehrotra, 612-844-4197; samantha.mehrotra@thrivent.com

3006282-032020