



## Further Update from Cribstone

March 10, 2020

When it rains, it pours. Oil crashed more than 30% last night after the breakup of the OPEC+ alliance triggered an all-out price war, with both Russia and Saudi Arabia poised to flood the market with cheap oil. As a result, equity markets globally experienced significant declines, with the S&P500 opening down 7% resulting in a temporary trading halt. The 10-year Treasury yield fell below 0.5% and the 30-year yield dropped under 0.9%, taking the entire U.S. yield curve below 1% for the first time in history.

With market volatility rising, we continue to take measures across your portfolios to prudently manage risk and selectively add to equities (stocks, ETFs, and mutual funds) that we feel are oversold or present compelling long-term value. Given that long-term treasuries are at historic lows, we moved to decrease the duration of your fixed-income assets, selling longer-term bonds to re-invest in short-term paper. Within equities, we implemented changes to reduce our small-cap risk, rotating those into larger cap names that we feel would provide better downside protection at compelling valuations. And lastly, as we had outlined in our investor letter last week, we began redeploying a small portion of our managed futures hedge back into the equities market.

It is hard for anyone to accurately predict how the market might trade in the next few months. With COVID-19 virus headlines, OPEC skirmishes, US Elections later this year, the Fed running out of ammunition, and equity prices that have only declined to levels seen last May, the likelihood for continued volatility remains high. However, as we saw with the 2018 end of year correction in the S&P 500 of 20%, market recoveries can be just as violent on the upside. We thus feel that it is prudent not to panic in times of market volatility and continue to manage your portfolios to meet your long-term goals.

As always, we welcome a discussion with you. Please feel free to reach out to us to schedule a meeting or just to chat.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott E. Upham".

Scott Upham, CIMA® CPWA  
Managing Partner

*Contributions were made to this letter by Aryn Moolji, CIO and COO, Jeffrey Burch, and Taylor Haselgard.*

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