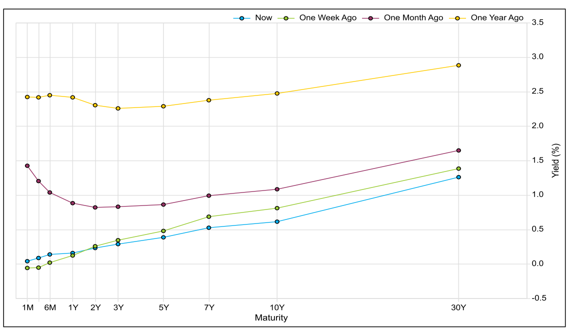
Trustmark Investment Advisors, Inc. *Weekly Portfolio Manager Commentary* April 3, 2020

ECONOMIC OUTLOOK: The Chicago Purchasing Managers' Index came in at 48.5 for March, versus 49.0 for February. In similar fashion, the overall Purchasing Managers' Index came in at 48.5 for March versus 49.2 for February. The ISM Manufacturers' Index came in at 49.1 versus 50.1 for February. The Service PMI came in at 39.8 versus 49.4 and the ISM Non-Manufacturers' Index was 52.5 versus 57.3. All Indexes reflect a clearly slowing U.S. economy. The U.S. Unemployment rate stood at 4.4% for March versus 3.5% for February.

FIXED INCOME: The U.S. Treasury market rallied for the majority of the trading day last Friday before giving up some of the gains at the close with the thirty-year bond leading the move higher while the shorter end of the curve lagged in comparatively light trading and one of the tightest ranges in a month. The Bureau of Labor Statistics' March non-farm payrolls headline surprised with a much-higher-than-forecast decline, plunging 701,000 versus consensus compiled by Bloomberg for a 150,000 jobs drop. The unemployment rate jumped to 4.4% versus an expected 3.9%, which marked the sharpest increase since January 1975. The yield curve flattened during the week to the smallest gap since March 11 with the two- and ten-year yield spread near 37 basis points, while the five- and thirty-year differential tightened to 83 basis points. The employment survey revealed the largest drop on record in non-supervisory workers, falling 898,000, said Grant Thornton economist Diane Swonk, who also noted that there was also the biggest drop on record for females, plunging 412,000. Leisure and hospitality jobs were hit hardest, as expected, plunging 459,000 after a 45,000 increase in February. The BLS Employment Report had a note saying that the March data may not have been very precise due to the COVID-19 pandemic. The data predated many business and school closures while some of the normal collection measures were changed in light of social distancing directives. U.S. Treasury bills returned to positive territory after a few weeks on negative yields. The Treasury will be ramping up bill issuance to fund part of the CARES Act.

Change in Treasury Yield Curve



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	0.06%	3 mo	0.52%	3 mo	1.66%	3 mo	1.37%
6 mo	0.13%	6 mo	0.11%	6 mo	1.63%	6 mo	1.37%
1 yr	0.13%	1 yr	0.66%	1 yr	1.60%	1 yr	1.37%
2 yr	0.23%	2 yr	0.41%	2 yr	1.50%	2 yr	1.40%
5 yr	0.38%	5 yr	0.59%	5 yr	1.70%	5 yr	1.50%
10 yr	0.60%	10 yr	1.14%	10 yr	2.21%	10 yr	1.99%
30 yr	1.21%	30 yr		30 yr	2.93%	30 yr	2.80%

EQUITY: U.S. Equity ends the week negative as the S&P 500 Large Cap Index closes down -1.51%. All eyes were on the impact the COVID-19 pandemic has had on jobs as the initial jobless claims rose to 6.648M in the week ended March 28th doubling the prior week's print, and March's headline non-farm payrolls fell 701K, greatly below the consensus of a 145K decline. On a positive note, March's non-manufacturing ISM comes in stronger-than-expected at 52.5, beating the 44.4 estimate. Oil remains the other notable story as OPEC+ scheduled a virtual meeting for Monday. It has been reported that Russia is willing to cut if the U.S. and Saudi Arabia join, however this will remain to be seen.

Energy (+6.82%), Health Care (+3.08%), and Consumer Staples (+2.94%) all led the way for U.S. sectors as Real Estate (-5.25%) and Financials (-4.59%) were hit the hardest. Initial jobless claims rose to 6.648M in the week ended 28-Mar, doubling last week's 3.283M print, which itself was a near five-fold increase over the prior peak of 695K in October of 1982. Continuing claims are up to 3.029M from last week's 1.784M. Analysts had a wide range of estimates headed into the report, though the number exceeded even the highest Street estimates. Followed last week's print, which was seen as low given state unemployment offices struggling to process flood of applications, adapt computer systems to accept new types of claims allowed under the CARES Act, which makes it easier for workers to seek unemployment benefits, according to Reuters.

March headline non-farm payrolls fell 701K, well below the consensus for a 145K decline. This is the first negative print since September of 2010. Private payrolls declined 713K, well below the 200K estimate, concentrated in leisure and hospitality. The unemployment rate jumped 0.9pp to 4.4%, ahead of the 3.9% estimate. Average hourly earnings of 0.4% are up 0.1pp m/m, ahead of the 0.2% estimate. The average workweek is down 0.2 to 34.2, in line with estimates. Labor force participation rate is down 0.7pp to 62.7%. There is a big decline despite survey conducted in the middle of the month, before the two record jumps in jobless claims (~10M over past two weeks), which will be reflected in April's report. Several sell-side economists have predicted the April report could be in the multi-millions, though estimates have varied widely

Index Returns	Last Week	YTD
Dow Jones Industrials	-2.70%	-25.74%
S&P 500 (LCap	-2.08%	-22.56%
S&P 400 (MCap)	-5.97%	-34.82%
Russell 2000 (SCap)	-7.06%	-36.69%
NASDAQ Composite	-1.72%	-17.55%
MSCI EAFE (Int'l)	-3.71%	-26.70%
iShares Real Estate	-8.49%	-30.35%

Source: FactSet Research Systems

ASSET ALLOCATION:

Current Sentiment

Cash	Favorable
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Neutral
High Yield FI	Unfavorable
International FI	Unfavorable
Equity Income	Neutral
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Unfavorable
International Equity	Unfavorable
Emerging Markets Equity	Unfavorable
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should continue to be overweighted versus Value.
Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of a recovery ensues.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.
Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.