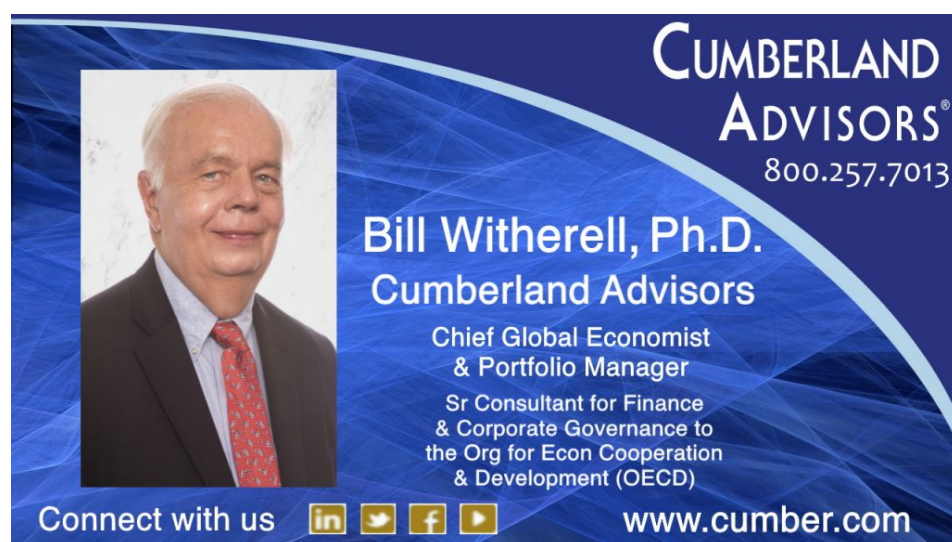


Cumberland Advisors Market Commentary – International Stock Markets, First Quarter, 2020





International stock markets, like the US market, started the year on an optimistic note. The global slump in manufacturing appeared to be bottoming, and trade relations were easing.



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The first quarter is ending, however, with global equities experiencing dramatic losses and volatility surging across all market classes. As this is written (March 20), stocks in the US are again falling. The iShares MSCI ACWI ex US ETF, ACWX, is down 29.5% year-to-date. Emerging market stocks are down slightly less, 28.4%, while in the Eurozone, now the center of the outbreak, stocks are down more, 34.2%. The accelerated selloff has spread to almost all risk assets except the US dollar. The rapid spread of the COVID-19 virus and the increasingly restrictive actions necessarily being taken by governments are causing a severe shock of uncertain duration to the global economy. At the least, for a number of countries, economic growth during the first half of 2020 looks likely to be very low or negative. The global economy is on

the edge of a recession if not already in one.

The uncertainty that underlies the heavy risk-off market sentiment stems not only from the impossibility of knowing the severity and duration of the spread of the disease. Investors also do not know whether the promised massive and extensive monetary and fiscal actions by central banks and governments will be sufficiently effective in supporting their economies. A critical immediate concern for central banks is to address dislocations where markets are not trading on fundamentals. The steps being taken to address emerging liquidity concerns such as the Federal Reserve's extension of temporary dollar swap lines to other central banks are already having a positive effect . More generally, authorities around the globe are stating their readiness to do "whatever it takes" in this war against the virus and its economic impacts. That determined effort should set the stage for the eventual recovery.

Our International Portfolios are widely diversified across advanced-economy markets and some emerging markets, mainly Asian, along with a cash reserve.

The one security mentioned, ACWX, is held in Cumberland Advisors International Portfolios. The writer does not own it.

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Sources: Financial Times, CNBC

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