WHERE WE STAND

IMPACT OF CORONAVIRUS

TOM WALD, CFA®
Chief Investment Officer,
Transamerica Asset
Management, Inc.

In recent weeks, the coronavirus has emerged as the largest single risk to the markets. It is first and foremost a human tragedy of global proportions, and it has created threats to U.S. and global growth based on supply chain issues in China and potential health-related behavioral changes of U.S. and global consumers. Overall information and news flow remain fluid, and sentiment could worsen or improve on short notice.

In the U.S., plummeting stock prices and precipitously falling bond yields have changed the playing field considerably. We believe it is important that investors, given the recent selloff in equities, seek to identify attractive long-term entry points rather than attempting to call a market bottom. In this regard, we believe certain factors point toward such entry points now being in place.

The Federal Reserve has enacted a 0.50% reduction in the Fed Funds rate in response to economic concerns about the virus. While the favorable impacts of doing so to combat a potential health-related economic slowdown could be muted, investors should take these lower rates into account when assessing the relative value of equities.

Stock dividend yields are now meaningfully higher than long-term Treasury bond rates. In the past, this historical anomaly has preceded strong returns in the equity markets. While other factors should certainly be considered, any future convergence of stock dividend yields and bond rates should prove to be favorable for equity investors.

Timing of the virus containment will also likely determine future market levels. In the event infection and fatality rates slow into the summer months and appear to have peaked, negative impacts to economic growth or corporate earnings could prove to be transient, allowing the markets to look forward and recover quickly. However, this could take several months to determine.

Credit spreads, while having risen materially in recent weeks, are still well below previously perceived crises levels of the past 12 years. We believe this likely reflects a combination of low interest rates and low inflation, as well as perhaps a bit more rationality than the equity markets. That said, credit markets could turn fast and should be watched closely.

International equities could experience a slower recovery than U.S. stocks, particularly in emerging markets, as global growth is likely to slow as a result of the virus. China could see flat growth in 1Q20 and this could reverberate throughout its lesser-developed trading partners. Speed of containment will likely play a larger role in overseas equity markets since the virus is more established not only in China but other countries, such as South Korea, Italy, and Iran.

We believe that all considered, favorable long-term entry points into the U.S. equity markets have likely been established and that high-yield and investment-grade bond returns should continue to be positive based on what looks to be limited economic impact in the U.S. amid a lower-rate environment.

TRANSAMERICA®
Insurance / Investments / Retirement

THOMAS R. WALD, CFA®

CHIEF INVESTMENT OFFICER
TRANSAMERICA ASSET MANAGEMENT, INC.

Tom oversees investment and mutual fund development and the sub-adviser selection process. He heads Transamerica's investment thought leadership with advisors, clients, and media. Tom has more than 25 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a Bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.

Get inside the outlook.

Download: *Where We Stand: Transamerica 2020 Market Outlook*

Visit: transamerica.com/market-outlook

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

Past performance does not guarantee future results.

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

Alternative investment strategies may include long/short and market neutral strategies; bear market strategies, tactical strategies (such as debt and/or equity: foreign currency trading strategies, global real estate securities, commodities, and other non-traditional investments).

The information included in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. This material contains general information only on investment matters; it should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information does not take into account any investor's investment objectives, particular needs or financial situation. The value of any investment may fluctuate. This information has been developed by Transamerica Asset Management, Inc. and may incorporate third party data, text, images, and other content to be deemed reliable.

Comments and general market-related projections are based on information available at the time of writing and believed to be accurate; are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.

Transamerica Asset Management (TAM), is the asset management business unit of Transamerica.
TAM consists of Transamerica Funds, Transamerica Series Trust, and Transamerica Asset Management, Inc., an SEC registered investment adviser.

1801 California Street, Denver, CO, 80202, USA

252284

TRANSAMERICA®
Insurance / Investments / Retirement