

March 30, 2020  
Weekly Bulletin

## Searching for a Silver Lining: Tax-Loss Harvesting Amidst Selloff

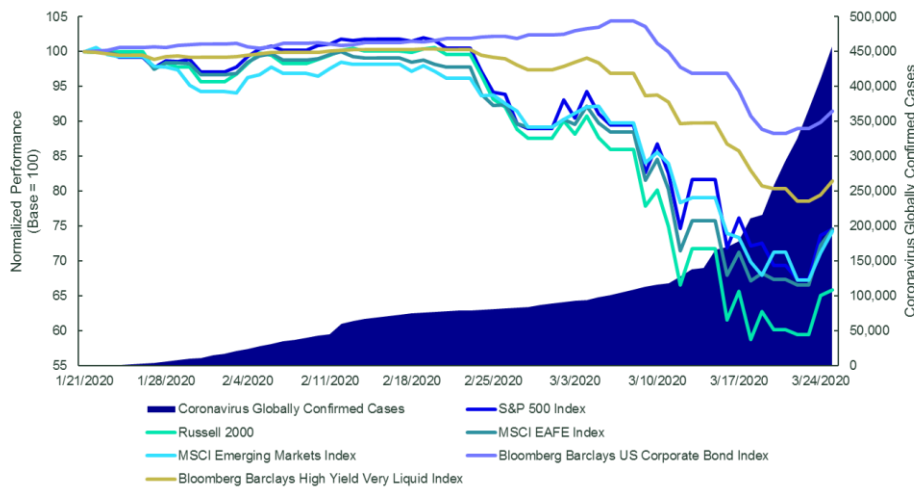
- Since the market’s peak in late February, various asset classes have struggled to find a bottom as worldwide COVID-19 cases top 450k and governments implement lockdowns and relief packages to stem the economic fallout of the virus
- Excluding US Treasuries, virtually all asset classes have given up years of gains as this has become the fastest bear market on record, with US stocks falling 20% in just 16 trading sessions<sup>1</sup>
- While analyzing monthly rolling price returns of the largest ETFs across various asset classes, we found that US small caps, developed international equity, emerging market equity, preferred stock, high yield, and emerging market debt ETFs have experienced price losses in 98% or more observations with average price losses up to -28%,<sup>2</sup> suggesting many securities purchased over last few years are in unrealized capital losses

### The Takeaway

As an investor – and more importantly, a human – it is easy to feel hopeless as the pandemic spreads and the value of your investments fall nearly every time you refresh your screen. Although no one aims to lose money on their investments, bear markets are as inevitable as death and taxes. Use this opportunity to potentially enhance your after-tax returns by tax-loss harvesting. Through tax-loss harvesting investors can offset realized gains with losses incurred now while prices are depressed. Opportunities for harvest are plentiful as equities – regardless of cap size, style, or geography – and fixed income credit have plunged dramatically, as seen in the Chart of the Week:

Chart of the Week

**Depressed Prices Due to COVID-19 Have Created Tax-Loss Harvesting Opportunities**



Source: Bloomberg Finance L.P., 01/21/2020 - 03/26/2020. **Past performance is not a guarantee of future results.** It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

**Footnotes**

<sup>1</sup> Fortune. "What comes after a bear market? You will like the answer." 3/19/2020.

<sup>2</sup> Source: Factset. Rolling price returns calculated as of 03/23/2020, moving the start date forward in one month increments beginning on 12/31/2014 (12/31/2014 to 03/23/2020; 01/31/2015 to 3/23/2020; etc.)

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