

March 2020 Market Update

March 2020 brought a sudden end to the 11-year bull market, the longest bull market in U.S. history. By the middle of the month stocks were down over 30% from February's all-time highs. The market rebounded near the end of the quarter when the FOMC dropped the Fed Funds rate to the zero lower bound and Congress passed a \$2 trillion fiscal stimulus package. U.S. equities finished the first quarter down 20.6% and international equities were off 24.1%. Real estate was the worst performing asset class with a year-to-date drop of 26.9%.

Fixed income markets rallied, up 3.1% on the year, but with a wide dispersion of performance as low-risk Treasuries significantly outperformed riskier bonds like high yield corporates, emerging markets bonds and municipals. Yields dropped significantly with the 10-year Treasury ending at 0.70% and short Treasury bills trading at slightly negative yields.

We are concerned that stock prices reflect an aggressive coronavirus recovery scenario. During the financial crisis of 2008-2009, real GDP dropped 4.0%, unemployment peaked at 10.0%, the S&P 500's maximum drawdown was 50% and it took 5 years for stocks to fully recover. With the COVID-19 pandemic, economists are predicting real GDP declines of at least 10% and unemployment rates of 15-20%, yet the S&P 500 is down only 20%.

We remain committed to actively working with clients to help you navigate this crisis, please let us know how we can help.

Table 1: Benchmark Index Performance as of March 31, 2020

| <i>Benchmark Index</i> | <i>1 Mo</i> | <i>YTD</i> | <i>12 Mo</i> | <i>5 Yr Ann</i> |
|------------------------|-------------|------------|--------------|-----------------|
| U.S. Equities | -13.1% | -20.6% | -8.5% | 6.2% |
| International Equities | -15.1% | -24.1% | -16.3% | -0.7% |
| Fixed Income | -0.6% | 3.1% | 8.9% | 3.4% |
| US Real Estate | -21.5% | -26.9% | -21.4% | -0.6% |

Chart 1: 2020 Year-to-Date Market Index Performance

