

MARKET PERSPECTIVES (As of April 30, 2020)

Capital Markets

From Feb. 19th to Mar. 23rd, the S&P 500 fell 34% as the "Great Lockdown" wreaked economic havoc and sparked alarming Depression fears. After massive monetary and fiscal policy responses to backstop the economy, encouraging testing results and therapeutic trials led to hopeful, measured plans to re-open, financial conditions stabilized. The S&P 500 swiftly rose 35% from that 23th low as of Apr. 29th.

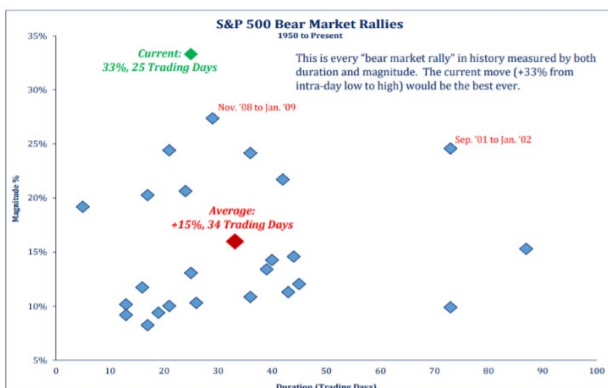
The S&P 500's April 12.8% monthly return was the best since January 1987, but it's still down 9.3% YTD. Fixed income markets, suffering from March's liquidity shock, also found firmer footing. Investment grade corporates posted five consecutive weekly gains, and all fixed income sectors outpaced similar-duration Treasuries.

However, as the Fed noted during its April meeting, we are clearly not out of the woods yet. The virus remains devastatingly tragic in health and economic terms. Consequently, volatility persists at exceptionally high levels - a record 48 consecutive days (and counting) of > 1% intraday price swings through April 30th.

Looking ahead, the bull case rests on central bank easing, more fiscal stimulus, momentum, and contrarian sentiment. The bear case pivots on the magnitude of economic damage, elevated valuations, and the vulnerability of re-openings to the virus' second wave.

Covid-19 has accelerated pre-existing trends, exposed weaknesses in the global economy, and created new trends. Caution is clearly warranted, yet human, societal, and economic dynamics offer rewards for active managers to discern the divergence of winners and losers.

Chart of the Month



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Sources: CIC, Morningstar Direct and Strategas

Equity							
	MTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr
Global Stocks	10.7	-12.9	-5.0	4.5	4.4	6.9	6.1
U.S. Large Cap	12.8	-9.3	0.9	9.0	9.1	11.7	8.6
U.S. Large Value	11.2	-18.5	-11.0	1.4	3.9	8.5	6.3
U.S. Large Growth	14.8	-1.4	10.8	15.7	13.3	14.4	10.8
U.S. Small Cap	13.7	-21.1	-16.4	-0.8	2.9	7.7	7.0
Int'l Dev Stocks	6.5	-17.8	-11.3	-0.6	-0.2	3.5	3.7
Emerging Markets	9.2	-16.6	-12.0	0.6	-0.1	1.4	6.3
Fixed Income							
	MTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr
U.S. Inv Grade Bonds	1.8	4.98	10.8	5.2	3.8	4.0	4.4
U.S. Short-Term Bonds	0.9	3.07	6.3	3.3	2.4	2.3	3.1
International Bonds	1.6	0.06	4.5	3.1	2.4	1.7	2.6
Other							
	MTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr
Commodities	-1.5	-24.47	-23.2	-8.6	-9.1	-7.1	-4.7

Quote of the Month

"The bottom" is the day before the recovery begins. Thus it's absolutely impossible to know when the bottom has been reached...ever.

– Howard Marks, Oaktree Capital

Insights by John Silvia, Director of Economics



Signs of Light at the End of the Tunnel

With the recession upon us, we must distinguish between the gloom today and the future economic recovery. Current numbers on employment and retail sales speak to the problems today. We look for signs of the light at the end of the tunnel:

- Most importantly, we have witnessed progress on the medical front. The evidence points to a slower pace of hospitalization and deaths. Treatments for Covid-19 are now in trials.
- One positive sign is that the number of jobless claims, a leading indicator, appears to have peaked and started to decline. Certainly, much restructuring is needed in the U.S. economy. That will take years, but the big shock has passed.
- We are looking for improvement in consumer and business sentiments. For the consumer, in the latest survey, we saw an upswing in consumer expectations as well as gains in consumer expectations for more jobs. Small business sentiment is released May 12th. We will see how business sentiment may have improved given federal financial assistance and the opening of some states.
- On the financial side, yield spreads between corporate and U.S. Treasury debt have declined signaling an improvement toward risk-taking in the market.

Of course, these are the indicators we follow each week, and each month we will update them for our clients and friends.