There is no way around it. The first quarter (and unfortunately probably beyond) was a human, economic and stock market disaster. For global markets as well as just about everything else, the first quarter can be split almost exactly in half: before and after coronavirus moved beyond Asia. The year began with financial markets weathering the threat of war between the United States and Iran and by mid-February, domestic stocks were making record highs, thanks in part to easier monetary policy.

Then came the global impact of the coronavirus and the bottom fell out for stocks and credit sensitive corporate bonds sectors. The market rebounded from its lows in mid March in response to the Congressional passage of a $2 trillion economic stimulus package and aggressive steps to further ease monetary policy by the Federal Reserve. In spite of these moves, the final tally for the quarter saw the market post its worst decline since the fourth quarter of 2009 during the global financial crisis.

The economy was largely shut down in many parts of the country (globally as well). This has resulted in huge jumps in unemployment and unemployment insurance claims in response to lack of demand – hence the $2 trillion rescue package.

Notwithstanding some stock market gains in early April, we do anticipate a recession and while we hope it is short lived the duration will be largely based on the timeframe for the development of treatments/vaccine to defeat the virus and the ability of the economy to restart once the businesses open up again.

Market results are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending 3/31/2020** | **12 MONTHS Ending**  **3/31/2020** | **THREE YEARS Ending**  **3/31/2020** | **FIVE YEARS Ending**  **3/31/2020** |
| **DJIA** | -22.7% | -13.4% | 4.4% | 6.9% |
| **S & P 500** | -19.6% | -7.0% | 5.1% | 6.7% |
| **NASDAQ Composite** | -14.0% | 0.7% | 10.4% | 10.7% |
| **Barclay Agg. Bond** | 3.2% | 8.9% | 4.8% | 3.4% |
| *Mutual Funds* |  |  |  |  |
| Domestic |  |  |  |  |
| *Large Cap* |  |  |  |  |
| Growth | -15.5% | -3.7% | 8.7% | 7.6% |
| Value | -26.8% | -17.7% | -2.1% | 1.4% |
| *Small Cap* |  |  |  |  |
| Growth | -24.6% | -17.7% | 1.7% | 2.8% |
| Value | -36.9% | -31.6% | -11.2% | -4.3% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending 3/31/2020** | **12 MONTHS Ending**  **3/31/2020** | **THREE YEARS Ending**  **3/31/2020** | **FIVE YEARS Ending**  **3/31/2020** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| International |  |  |  |  |
| Europe | -24.8% | -15.3% | -3.0% | -1.1% |
| Latin America | -46.8% | -37.6% | -10.0% | -2.8% |
| Japan | -18.2% | -9.1% | 0.1% | 2.4% |
| Pacific ex Japan | -20.9% | -15.6% | -0.4% | 0.4% |
| China Region | 11.4% | 7.6% | 3.4% | 1.8% |
| India | -31.8% | -33.4% | -10.1% | -4.6% |
|  |  |  |  |  |
| Corporate Bond |  |  |  |  |
| Long | -0.6% | 11.1% | 7.0% | 4.8% |
| Intermediate | 1.6% | 6.8% | 3.9% | 2.7% |
| Short | -2.1% | 0.7% | 1.5% | 1.4% |
| Government Bond |  |  |  |  |
| Long | 20.5% | 31.3% | 13.0% | 6.9% |
| Intermediate | 4.2% | 8.2% | 3.9% | 2.5% |
| Short | 2.2% | 4.4% | 2.3% | 1.5% |
| Municipal Bond |  |  |  |  |
| Long | -2.0% | 2.8% | 3.5% | 2.9% |
| Intermediate | -1.5% | 2.4% | 3.0% | 2.4% |
| Short | -0.7% | 1.2% | 1.5% | 1.1% |

**Market Outlook**

Lots of account value was lost in the first quarter because of coronavirus. To be candid, no one can credibly guess when things will turn around. Keep in mind also that there are other things that can affect the economy/market. These include the rate of growth of the economy in China, global tariff and trade issues, immigration, infrastructure initiatives and the Presidential election in November. Domestic challenges persist as the Democrats and Republicans continue to make evident their inability to work collaboratively even in the face this historic challenge. Despite these problems, the United States always overcomes whatever problems it faces.

Over the long term, stocks and bonds have been very worthwhile investments and we believe this will continue. But there will be ups and downs for many reasons. Equity allocations were lowered as a result of declining market values and they should not be increased to hit allocation targets now. If for any reason you are anxious about your allocation, please reach out to us and alternatives can be assessed.

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