

April 2020 Flash Report

Overview: Coronavirus – economic activity significantly abated as social distancing and shelter-in-place protocols were implemented. Companies began to report earnings for the 1st quarter suggesting that S&P profits declined by approximately 15% relative to last year. **Domestic GDP** – GDP fell 4.8% in the 1st quarter according to government estimates released this month. Economists had expected a drop of 3.5%. The biggest drags on the economy were consumer spending, nonresidential fixed investment, exports and inventories. Orders for big-ticket manufactured goods plunged 14.4% in March, the second-biggest decline on record. **Federal Reserve** - The Fed met again this month and said it would deploy its "full range of tools" to support the US economy. Maintaining interest rates in a range of 0-25bp and an unlimited bond-buying campaign have increased the Fed balance sheet to \$6.6 trillion from less than \$4.2 trillion in mid-February.

Equities: Domestic – April's rally would mark their best performance for the Dow and S&P 500 since 1987. The S&P index rose 12.8% in the month but is still down 9.3% YTD. Investors seem to be betting that the viral outbreak which has so negatively impacted the economy is likely to eventually subside. Energy was the best performing sector in April but still lost nearly 40% in the past year. Utilities, the lowest performing sector, still managed a 3.3% return. Growth continued to outperform Value consistent with results during the past year. The Russell 2000 index increased by 13.7%, again with Growth outpacing Value but not as dramatically as shown in the large cap indices.

International – EAFE rose 6.5% but more modestly than the Domestic markets. A weaker Dollar contributed 1.0% to the month's return. EAFE has lost about 18% YTD, nearly double the S&P losses for the year. Spain and Italy were especially weak in the month.

Emerging Mkts – the markets posted a 9.2% positive return in April, lowering YTD losses to 16.6%. Russia had a strong month, gaining 11.5% along with India which gained 16.1%. Mexico had a lackluster month, earning only 4.3%.

Fixed Income: In April, quality and duration were the key drivers for success. The Fed have held interest rates near zero and maintained an aggressive bond buying program. Treasury rates remained relatively stable in the month despite the volatility in the equity markets.

Following the significant March yield decline, short term yields edged up slightly by 2bps to 0.09% for the **90 Day T-bill**. The **10 Year Treasury** yield fell modestly by 3bps to 0.63% closing at another record low. The yield curve remains slightly positive across all maturities. The **30 Year Treasury** yield closed at 1.28%, 3bps lower than March. Rates remained steady despite the significant economic uncertainty associated with the viral outbreak.

In contrast, **Municipal** yields changed materially in April. The **1 Year Municipal** yield closed at 0.83%, down 24bps, trading at a 67bps premium to a comparable Treasury. The **30 Year Municipal** yield closed at 2.35%, up 37bps, which is 107bps higher than the 30 Year Treasury. Tax-exempt yields remain at a premium to Treasury yields which represents a significant dislocation in the fixed income markets.

International yields moved modestly as investors redeployed to US Treasuries in a flight to quality. **German** rates fell by 9bps ending with a negative 0.79% yield for the **2 Year Bund** and lower by 11bps closing at a negative 0.59% for the **10 Year**. The **UK 10 Year Gilt** yield fell by 12bps to 0.23%. The **Japanese 10 Year Gov't** bond yield dropped by 5bps to -0.05%. The **2 Year Yield** also fell by 3bps to negative 0.19%.

High Yield bonds rose 4.5% in April maintaining an average yield of 5.8%. The Aggregate Bond Index gained 1.8% in the month reflecting an approximate yield of 1.8%.

Commodities: WTI Crude Oil fell again by \$1.10/barrel to \$19.11/barrel at month's end. In April, however, US oil prices had turned negative before recovering for the first time ever; oil closed at negative \$37 as storage facilities approached full capacity. **Gold** prices increased by **\$102.8/oz to \$1694/oz** in April. Global economic uncertainty has driven investors to safe-haven investments such as Gold, which has increased by 30% over the past year.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	11.2%	-13.3%	-14.1%	-6.2%	7.7%	9.1%
S&P 500	12.8%	-9.3%	-9.3%	0.9%	9.0%	9.1%
Russell LG Value	11.2%	-16.7%	-18.5%	-11.0%	1.4%	3.9%
Russell LG Growth	14.8%	-3.5%	-1.4%	10.8%	15.7%	13.3%
Russell 2000	13.7%	-18.5%	-21.1%	-16.4%	-0.8%	2.9%
NASDAQ	15.6%	-2.6%	-0.6%	11.1%	15.0%	13.8%
MLP Index	49.6%	-32.1%	-36.0%	-40.8%	-18.3%	-15.0%
REIT Index	9.1%	-19.8%	-18.7%	-10.7%	1.7%	4.2%
International Equities						
EAFE	6.5%	-15.9%	-17.7%	-10.9%	-0.1%	0.3%
EAFE Small Companies	10.5%	-17.5%	-19.9%	-11.9%	-0.6%	2.5%
Emerging Markets	9.2%	-12.5%	-16.6%	-11.7%	0.9%	0.3%
China	6.3%	0.3%	-4.5%	-1.9%	8.5%	1.9%
Fixed Income						
US Agg	1.8%	3.0%	5.0%	10.8%	5.2%	3.8%
US High Yield	4.5%	-8.8%	-8.8%	-4.1%	1.9%	3.4%
Municipal Bonds	-1.3%	-3.6%	-1.9%	2.2%	3.3%	3.0%
Currencies						
EURO	-0.8%	-1.3%	-2.6%	-2.4%	0.0%	-0.5%
British Pound	1.2%	-4.5%	-5.0%	-3.3%	-0.8%	-3.9%
Japanese Yen	0.5%	1.4%	1.6%	4.2%	1.9%	2.3%
Commodities						
Bloomberg Commodity	-1.5%	-18.5%	-24.5%	-23.2%	-8.6%	-9.1%
S&P GSCI Crude Oil	-40.7%	-76.8%	-80.3%	-81.0%	-37.2%	-33.8%
Gold	6.1%	6.7%	10.9%	30.7%	9.3%	6.7%