## **Financial Markets**

After making an all-time high on February 19, the S&P 500 Index quickly sold off as investors began pricing in the grim economic consequences of COVID-19. In just over a month, the Index lost a third of its value. The decline was historic in its speed. Stocks fell far faster than during the Financial Crisis, dot-com bubble burst, Arab oil embargo, or Great Depression. (Notably, however, the market lost considerably more ground in each of those instances than it has thus far in the current downturn). In fact, only the bear market of 1987, highlighted by Black Monday, is on par with the current experience in the speed of the market's decline. But the impetus for each of these declines was vastly different in character from the current

Total Returns through March 31, 2020		
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US Stocks	Quarter	1 Year
Standard & Poor's 500	-19.6%	-7.0%
Russell 2000®	-30.6%	-24.0%
International Stocks		
MSCI World Ex-USA	-23.3%	-14.9%
MSCI Emerging Markets	-23.6%	-17.7%
US Fixed Income		

one. Each was marked by economic excesses, whether related to household borrowing, corporate financial leverage, or market valuations. Today's dislocation is unique, as the government has effectively shut down much of the economy to mitigate the spread of the virus. Even prudently run, otherwise stable corporations have seen their business prospects and share prices punished. As such, our investment discipline, which favors the stocks of financially strong companies with

sustainable business models, has, in this short period, failed to shield most portfolios as much as we may have hoped. With the benefit of a modest recovery during the period's final week, stocks, as measured by the S&P 500, declined 20% for the quarter. All told, the Index ended March 2020 roughly where it stood in mid-January 2019.

Meanwhile, bonds also failed to provide the degree of protection they have in past market crises, though the Bloomberg Barclays US Government/Credit Bond Index did post a modest positive return for the quarter. Credit spreads widened sharply for high and low credit quality bonds alike. Even the normally staid Treasury market experienced price swings typically reserved for speculative stocks. Energy markets faced more dire circumstances as oil prices cratered to an 18-year low of \$20/barrel. Energy producers faced peril on two fronts: a profound demand shock from the virus and extra supply being