Unfortunately, a 20% decline was rather common for the first quarter of the year. When the market bottomed on March 23 the paper losses were massive. To illustrate:

- The S&P 500 Index was down 20%
- The MSCI EAFE (large international stocks) was down 22%
- The Russell 1000 Value (large US stocks with cheaper valuations) was down 27%
- The Russell 2000 (US small companies) was down 31%
- Real Estate was down 27%
- Oil and Energy funds were down over 50%
- Mortgage funds were down 6%
- High Yield bonds were down 13%

The silver lining in this is how well the markets performed in the month of April. April proved to be one of the strongest months for stocks in recent history. We still have a long way to go with the economy though.

- The Fed has infused trillions of dollars into the market (both to individuals and companies) to stabilize as best they can but it will require significantly more.
- Hotel bookings are off over 80%
- New home building is off over 20%
- Air travel is off 93% (to put that in perspective more people were flying when Howard Hughes owned TWA than are flying today)
- There have been over 30 million new unemployment claims in the past 45 days. That is more than all the jobs created since the Great Recession of 2007-08.
- Demand for oil has collapsed and it has been exacerbated by foreign governments continuing to pump oil. We are in a storage issue the likes of which we've never seen. Oil contracts for future delivery mean that when the contract expires the holder of the contract must take physical possession of the oil. And all contracts settle in Cushing, Oklahoma. Right now, there is no place to store oil. A tanker that holds 2mm barrels of oil typically rents for $25k am month. Today you can't find one for $150k if you can find one at all. This massive over-supply issue sent oil tumbling. Although we are starting to see signs of improvement across the board.
- Cash and long-term Treasuries were the only areas that saw positive gains (or at least limited losses). But these investments are yielding so little (well below 1%) that it is difficult to allocate meaningfully to them and expect to generate a decent return long-term.
- The rapid rebound in April is a cautionary example that flooding to cash and waiting it out doesn't generate returns. By the time the average investor decided the market was damaged and sold out of stocks they likely would have missed the April rebound. Thus selling low. The best recipe for times like this is to have the discipline to stay with your return objectives and make sure your appetite for risk when times are good is the same as for when times are bad.

These times are unprecedented with the entire global economy shut down. We will get through this and things will improve. It's just a matter of when.

Tim O’Donnell, CAIA
Senior Vice President
Fund Evaluation Group