

ECONOMIC & MARKET INSIGHTS

An Executive Summary for April 2020

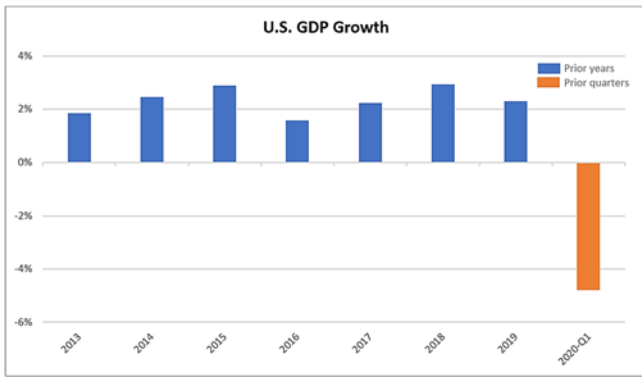
After one of the worst months for risk assets in history, April offered investors reprieve. If March represented fear, April brought hope. Hope that large-scale virus containment efforts were proving effective and that the world could soon move closer to resembling normalcy. While the public health crisis will not be fully resolved until a vaccine is made widely available, some of the hardest hit nations (including the U.S.) are now focused on getting people back to work. Despite many eager households, restarting the economy will likely be a slow and iterative process. Risk of additional waves of the virus remain and select industries, such as retail and hospitality, might have to rethink their business models. The range of outcomes may have narrowed somewhat but we are still living through unprecedented times.

The effects of temporarily halting the world economy have been staggering. In a matter of weeks, the U.S. went from record low levels of unemployment to record highs. More than 30 million people have filed for unemployment since the start of this pandemic, representing nearly 20% of the U.S. working age population. First quarter GDP declined an astonishing 4.8%. These trends are global, with similar figures coming from other major economic portions of the world. A swift wave of joblessness also had a stark impact on the consumer, the largest component of GDP. Personal spending has seen unparalleled declines which is likely to translate to similar reductions in global output. Although these figures can appear dire, many economists expect the worst impact to be felt over the second and third quarters of 2020 with a recovery coming later in the year.

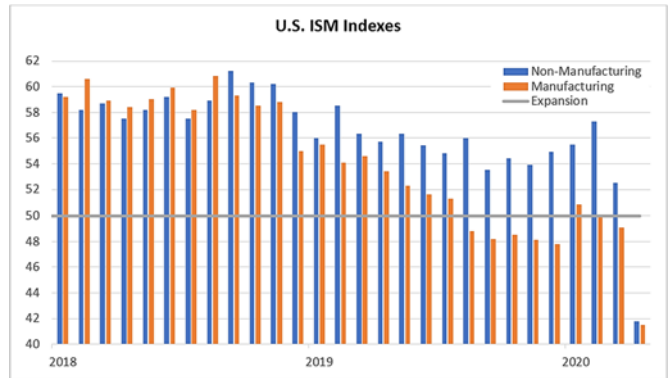
So far, markets have proved resilient against this challenging backdrop. Risk assets rallied in April, erasing a sizeable portion of the losses generated over February and March. Further, the areas of the market that suffered the most pain earlier in the year, such as energy and consumer discretionary, saw the sharpest recovery in April. In the bond market, yields stabilized and credit spreads retrenched supporting corporate bond returns. Liquidity improved and trading resumed more normal levels in the municipal market. Commodities were more volatile given the uncertain level of demand. Oil, in particular, had a wild month after fears around storage capacity limitations caused futures to fall to negative \$37 per barrel! Prices have since recovered to somewhat more normalized levels.

Many have attributed the pace of the recovery in asset markets to the swift and massive deployment of government intervention. Central banks across the globe have introduced extraordinary levels of easing to help ensure adequate financial market liquidity and bridge the gap for the citizens and businesses hit the hardest. Such unprecedented asset purchases and spending programs have caused central bank balance sheets to balloon and could cause the level of government involvement in the private sector to reach levels not seen in decades.

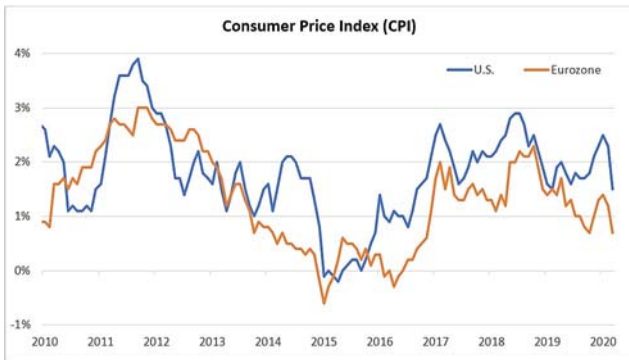
Looking forward, many uncertainties in the global economy loom. Some argue that the pace of the recovery in markets was too quick, while others believe it's justified. Regardless, these are undoubtedly challenging times to predict the future and in turn, to attempt to time the market. For this reason, we maintain that staying invested, after all liquidity needs are met, is the best approach.



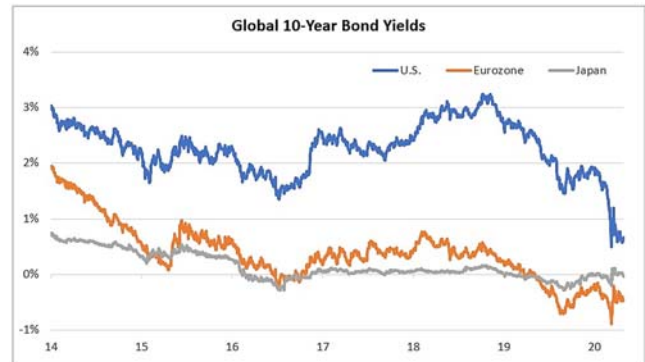
U.S. Department of Commerce



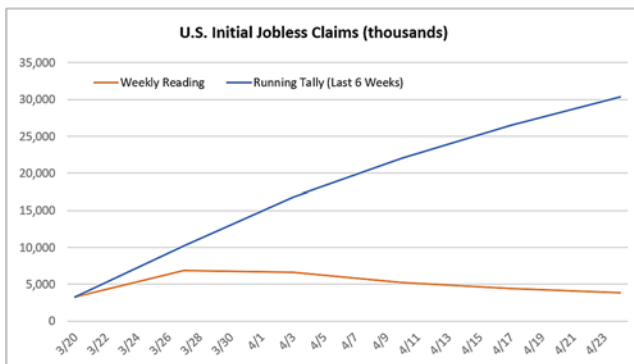
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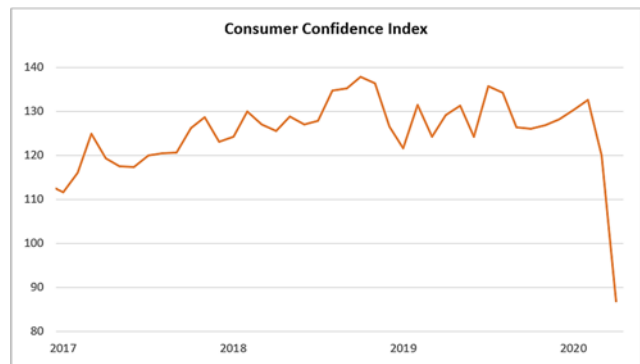
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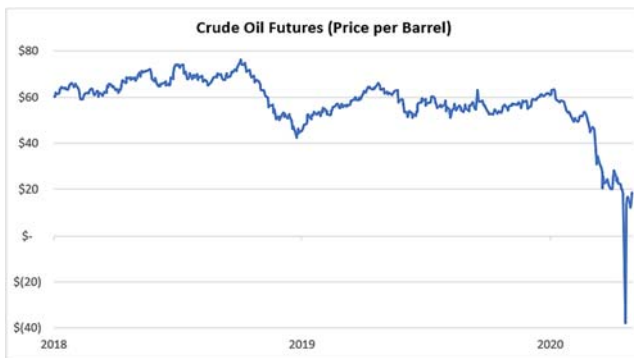
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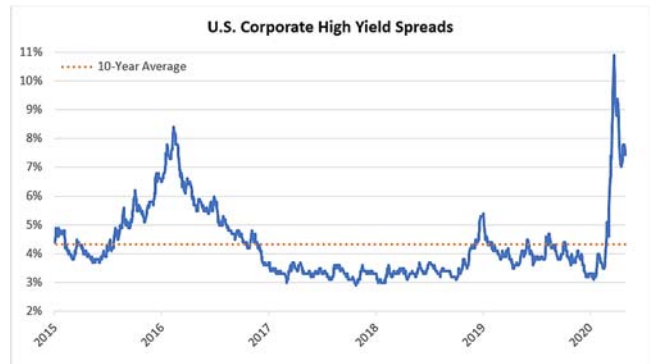
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