Global Market Commentary – April 2020

Mirror, Mirror on the Wall (Street)

Investors went into April worried that it might be a continuation of March. Instead, April was in many ways the mirror image of March. Consider that:

- In March, the DJIA and S&P 500 both recorded their biggest monthly declines since the financial crisis of 2008
- In April, the DJIA and S&P 500 both recorded their biggest monthly gains since 1987
- In March, volatility, as measured by the VIX, was very close to its all-time high of 89.5 from October 24, 2008 as it crested 82 in mid-March
- In April, volatility declined precipitously, ending the month at 34
- On March 9th, March 12th, March 16th and March 18th, the NYSE circuit-breakers kicked in and halted trading temporarily
- There were no trading halts in April
- In March, every one of the S&P 500 sectors recorded a loss
- In April, every one of the S&P 500 sectors recorded a gain
- The end of March brought an emphatic end to the record-long bull market that began in 2009
- The end of April brought an emphatic end to the record-fast bear market that began in mid-March

Market Performance Around the World

After the massive shock to markets around the world in the month of March, April saw big rebounds in almost every region. Of the 35 developed markets tracked by MSCI, all of them were positive. And of the 43 emerging markets tracked by MSCI, all of them were positive too.

Index Returns	*April 2020*
MSCI World Index	11.0%
MSCI USA	13.2.%
MSCI Europe ex-UK	6.4%
MSCI UK	5.1%
MSCI Japan	5.4%
MSCI AC Asia ex-Japan	9.0%
MSCI Emerging Markets	9.2%
Bloomberg Barclays Global Aggregate	2.0%
Bloomberg Barclays US Aggregate	1.8%

**Source: Bloomberg Barclays and MSCI. Past performance cannot guarantee future results*

The Magic Mirror Has Spoken

Mirror, mirror on the wall, who's the fairest of them all? "The month of April,' said the mirror.

Despite finishing the last week of the month in negative territory, the DJIA and S&P 500 both saw their best monthly performance since January 1987. In fact:

- The DJIA is up 28% from its March 23rd low;
- The S&P 500 is up 27% from its low; and
- NASDAQ is up 26% from its low.

A Flood of Bad Economic News

The month of April saw unprecedented and immediate stoppage of economic activity as businesses shut down and people stayed at home. That being said, it was a tale of two data sets, as investors saw the stock market turn in record-setting positive performance (because the stock markets generally look forward) while trying to digest staggeringly awful economic data (as economic data looks backward).

In April, investors saw that:

- Jobless claims surpass 30 million, a mind-blowing percentage given the total labor force is about 163 million
- The ISM Manufacturing index reached its lowest level since April 2009
- U.S. exports fell 6.7% in March and U.S. imports were down 2.4%
- The Conference Board Present Situation Index, based on consumers' assessment of current business and labor market conditions, recorded the largest drop on record
- Real GDP decreased at an annual rate of 4.8% in the first quarter of 2020
- Personal income fell 2% in March
- Real consumer spending fell 7.6% in March
- Non-residential investment fell 8.6% in March
- Privately-owned housing starts fell 22.3% in March
- Single-family housing starts fell 17.5% in March
- Health care spending fell 18% in March

Asset Class & Style Performance

The first quarter of 2020 and year-to-date has been difficult for almost all investors, regardless of asset class and style, but April's performance went a long way to easing some of the pain. April saw the major asset classes and styles turn in some very green numbers, except for Commodities, which gave back 1.5%. Small-caps came roaring back and outperformed their larger-cap cousins and Growth outperformed Value, padding the significant gulf between the two so far this year.

Index Returns	*2019*	*YTD*	*April 2020*
Global REITS	24.4%	-24.9%	7.6%
Value	22.7%	-20.3%	8.8%
DM Equities	28.4%	-12.3%	11.0%
Growth	34.1%	-4.3%	12.8%
Commodities	7.7%	-24.5%	-1.5%
Global Agg	6.8%	1.6%	2.0%
Small Cap	26.8%	-20.5%	13.5%
MSCI EM	18.9%	-16.6%	9.2%

Source: Barclays, Bloomberg, FactSet, FTSE, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT All REITs; Cmdty: Bloomberg UBS Commodity Index; Global Agg: Barclays Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in local currency. Past performance is not a reliable indicator of current and future results.

Sector Performance

After March saw every single one of the 11 S&P 500 sectors painted red, April saw all of them painted green. Drawing conclusions from the sector performance for the month of April – a very short time period – and two things become very clear. First, sectors do not move in lock-step with one another and will often provide very divergent returns for investors – depending on timing and the current economic climate. Second, the difference from March to April was remarkable.

Reviewing the sector returns for just the month of March 2020, just the month of April 2020 and YTD through April 30, 2020, we saw that:

- All 11 sectors were painted red for the month of March
- All 11 sectors were painted green for the month of April
- The Energy sector was the worst performer in March
- The Energy sector was the best performer in April

Here are the sector returns for shorter time periods:

Sectors	*YTD*	*March 2020*	*April 2020*
Healthcare	- 4.23%	- 3.98%	10.16%
Consumer Discretionary	-7.56%	-13.39%	14.96%
Industrials	-23.47%	-19.29%	5.43%
Financials	-28.47%	-21.48%	5.71%
Information Technology	-3.07%	-8.71%	10.42%
Materials	-17.20%	-14.35%	12.80%
Energy	-40.35%	-34.97%	21.88%
Consumer Staples	-8.73%	-5.86%	5.39%
Communications Services	-7.51%	-12.20%	11.73%
Utilities	-13.63%	-10.22%	0.65%
Real Estate	-15.20%	-15.40%	5.79%

This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results. Source: Standard and Poor's

Sell in May and Go Away? Nope.

One of the oldest stock market strategies is to "Sell in May and Go Away." If you factor in this seasonal "strategy," COVID-19 might make you think twice about employing. Especially on the heels of the best monthly performance for the stock market since 1987.

According to the Stock Trader's Almanac, since 1945 the S&P 500 has gained a cumulative 6-month average of nearly 2% from May through October on a price return basis. And for the 6-months from November through April, the S&P 500 has gained 6.7%, on average. But while past performance is no guarantee of future results, consider:

- The most recent time period: Looking at the S&P 500 from November 1, 2019 through April 30, 2020, the S&P 500 lost approximately 5%. Sell in May and Go Away didn't work.

- The year before that: Looking at the S&P 500 from November 1, 2018 through April 30, 2019, the S&P 500 returned approximately 8%. But if you sold out of equities in May 2019 only to get back in on November 1, 2019? Well you would have missed the S&P 500 returning 2.6%. Sell in May and Go Away didn't work.

- The year before the year before: Looking at the S&P 500 from November 1, 2017 through April 30, 2018, the S&P 500 returned 2.33%. But if you sold out of equities in May 2017 only to get back in on November 1, 2017? Well you would have missed the S&P 500 returning 7.83%. Sell in May and Go Away really didn't work.

This time it's different? Probably the most dangerous phrase in all of investing. If you are discussing investments, the markets, or anything financial related and someone says that, don't walk away, run.