# APRIL 2020 MARKET RECAP

Andrew Murphy, CFA
Senior Director, Portfolio Management

The market continued to rebound in April as the S&P 500 increased by +12.8%, the best monthly return since January 1987. The market decline and subsequent rally over the last several weeks have been head spinning. After reaching a new all-time high on February 19th, the market then fell by-33.9% through March 23rd. Since then, the market has increased by +30.4%. In our First Quarter Market Review and Outlook, we stated that while it is too difficult to make a short-term forecast, our long-term market viewpoint is optimistic given the opportunities that occur after market crashes. Admittedly, the magnitude of the rebound occurred sooner than we expected. However, it was not improbable given the severity of the initial decline, the massive amount of stimulus provided by the Fed and Congress, and some good news related to the development of treatments and vaccines. According to the Milken Institute, there are currently 182 treatments in consideration and 99 potential vaccines in development (these numbers are growing daily).

In April there was a clear divergence between the stock market and the economy. While the market was rallying, economic data released in the month was plain awful. First quarter GDP decreased by a -4.8% seasonally adjusted annual rate, the worst reading since Q1 2009. The Initial Jobless Claims report, which tracks the number of people who have filed for unemployment for the first time, produced their worst readings in history. Over 20 million people filed a jobless claim in April and over 30 million since mid-March.

**How can the stock market increase when the economy is doing poorly?** The short answer is that while they are tied together, the stock market and the economy are two different things. Over long time periods stock prices will track corporate earnings, and in strong economic environments corporations should be able to earn higher profits. However, over shorter time periods stock prices can differ from the economy and earnings due to changes in valuation caused by several factors. **The key point here is that the stock market is a forward-looking discounting mechanism, while most economic data is backward looking.** The stock market cares more about the future than the past or present. There are numerous examples of companies with billion-dollar market capitalizations who have never turned a profit. In these cases, investors are forecasting future profitability and discounting those expected earnings to reflect the current stock price. In today's environment, we know that the current economic data and earnings are going to be terrible, but the stock market is discounting a rebound to future growth and profitability.

Going forward, the path of the stock market and economy will depend on the coronavirus and new developments on treatments and vaccines to fight the virus. The market is wrestling with positives and negatives that are easy to identify. On the negative side, the coronavirus is a global tragedy that is wreaking havoc on our everyday lives. On the positive side, there is a massive amount of fiscal and monetary stimulus and a global race to develop treatments, vaccines, and expand testing. We are expecting the market to stay stuck in a wide trading range, with the ceiling capped by uncertainty and the floor provided by monetary and fiscal stimulus. Given that, we are prepared for more volatility and we are ready to take advantage of opportunities.

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. We help our clients navigate through challenging markets by ensuring their short-term cash flow needs are met while managing the rest of their investments in a globally diversified portfolio. We continue to believe this is the best approach for helping our clients ultimately reach their goals and objectives.

S&P 500 YTD

SOURCE: Bloomberg



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| US Equity | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Index** | **April** | **YTD 2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **3-Year** | **5-Year** | **10-Year** | **20-Year** |
| S&P 500 | 12.82% | -9.30% | 31.48% | -4.39% | 21.82% | 11.95% | 1.37% | 8.97% | 8.87% | 11.68% | 5.58% |
| Russell 3000 | 13.24% | -10.43% | 31.01% | -5.25% | 21.12% | 12.72% | 0.47% | 7.94% | 8.10% | 11.28% | 5.76% |
| Dow Jones Industrial Average | 11.22% | -14.07% | 25.34% | -3.48% | 28.11% | 16.43% | 0.21% | 7.71% | 8.82% | 10.99% | 6.71% |
| Nasdaq | 15.49% | -0.57% | 36.74% | -2.81% | 29.73% | 8.97% | 7.11% | 14.72% | 13.51% | 15.11% | 5.31% |
| S&P 400 | 14.18% | -19.73% | 26.17% | -11.10% | 16.23% | 20.73% | -2.18% | -0.14% | 3.38% | 8.84% | 7.83% |
| Russell 2000 | 13.74% | -21.09% | 25.49% | -11.03% | 14.63% | 21.28% | -4.41% | -1.01% | 2.73% | 7.68% | 6.26% |
| Russell 1000 Growth | 14.80% | -1.39% | 36.39% | -1.51% | 30.21% | 7.07% | 5.67% | 15.56% | 13.06% | 14.40% | 4.99% |
| Russell 1000 Value | 11.24% | -18.50% | 26.52% | -8.28% | 13.64% | 17.33% | -3.84% | 1.39% | 3.71% | 8.53% | 5.98% |
| | | | | | | | | | | | |
| **International Equity** | | | | | | | | | | | |
| **MSCI Index** | **April** | **YTD 2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **3-Year** | **5-Year** | **10-Year** | **20-Year** |
| EAFE | 6.46% | -17.84% | 22.01% | -13.79% | 25.03% | 1.00% | -0.81% | -0.68% | -0.11% | 3.55% | 2.59% |
| Europe | 6.30% | -22.16% | 23.20% | -16.90% | 28.07% | 1.34% | -1.42% | -3.45% | -1.23% | 2.35% | 1.66% |
| Japan | 5.39% | -12.30% | 19.61% | -12.88% | 23.99% | 2.38% | 9.57% | 2.24% | 2.33% | 4.39% | 1.02% |
| China | 6.31% | -4.55% | 23.46% | -18.88% | 54.07% | 0.90% | -7.82% | 8.23% | 1.66% | 5.05% | 7.92% |
| Emerging Markets | 9.16% | -16.60% | 18.42% | -14.57% | 37.28% | 11.19% | -14.92% | 0.50% | -0.06% | 1.45% | 6.12% |
| ACWI ex US | 7.58% | -17.55% | 21.51% | -14.20% | 27.19% | 4.50% | -5.66% | -0.33% | -0.13% | 2.89% | 3.09% |
| | | | | | | | | | | | |
| **US Fixed Income** | | | | | | | | | | | |
| **Bloomberg Barclays Index** | **April** | **YTD 2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **3-Year** | **5-Year** | **10-Year** | **20-Year** |
| Aggregate | 1.78% | 4.98% | 8.72% | 0.01% | 3.54% | 2.65% | 0.55% | 5.25% | 3.86% | 3.96% | 5.18% |
| Treasury Bills | 0.00% | 0.47% | 2.21% | 1.83% | 0.81% | 0.26% | 0.03% | 1.72% | 1.12% | 0.59% | 1.62% |
| Corporates | 5.24% | 1.42% | 14.54% | -2.51% | 6.42% | 6.11% | -0.68% | 5.71% | 4.67% | 5.26% | 6.10% |
| Securitized | 0.69% | 3.35% | 6.44% | 0.99% | 2.51% | 1.77% | 1.47% | 4.09% | 3.10% | 3.36% | |
| High Yield | 4.51% | -8.75% | 14.32% | -2.08% | 7.50% | 17.13% | -4.47% | 1.85% | 3.43% | 5.86% | 6.77% |
| Munis | -1.26% | -1.88% | 7.54% | 1.28% | 5.45% | 0.25% | 3.30% | 3.31% | 3.06% | 3.89% | 4.82% |
| | | | | | | | | | | | |
| **US Equity Sectors** | | | | | | | | | | | |
| **Index** | **April** | **YTD 2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **3-Year** | **5-Year** | **10-Year** | **20-Year** |
| Technology | 13.80% | 0.22% | 50.29% | -0.29% | 38.83% | 13.85% | 5.92% | 21.45% | 19.20% | 17.08% | 4.38% |
| Real Estate | 9.47% | -11.56% | 29.00% | -2.23% | 10.85% | 1.12% | 1.24% | 5.84% | 5.12% | 8.04% | |
| Industrials | 8.73% | -20.68% | 29.32% | -13.32% | 21.01% | 18.85% | -2.56% | 0.48% | 4.43% | 9.02% | 5.64% |
| Energy | 29.78% | -35.70% | 11.81% | -18.10% | -1.01% | 27.36% | -21.12% | -13.61% | -10.83% | -1.64% | 3.98% |
| Consumer Discretionary | 20.55% | -2.71% | 27.94% | 0.82% | 22.98% | 6.03% | 10.11% | 11.55% | 11.14% | 15.01% | 7.73% |
| Communication Services | 13.82% | -5.47% | 32.69% | -12.53% | -1.25% | 23.48% | 3.40% | 5.55% | 5.23% | 9.53% | 1.21% |
| Consumer Staples | 6.86% | -6.76% | 27.61% | -8.39% | 13.49% | 5.38% | 6.60% | 4.99% | 6.56% | 10.86% | 9.11% |
| Utilities | 3.22% | -10.72% | 26.35% | 4.11% | 12.10% | 16.29% | -4.84% | 7.31% | 8.94% | 10.65% | 6.89% |
| Materials | 15.31% | -14.83% | 24.58% | -14.70% | 23.84% | 16.69% | -8.38% | 1.50% | 2.50% | 7.03% | 6.93% |
| Financials | 9.58% | -25.43% | 32.09% | -13.04% | 22.14% | 22.75% | -1.56% | 0.79% | 5.03% | 7.69% | 3.06% |
| Health Care | 12.65% | -1.63% | 20.82% | 6.47% | 22.08% | -2.69% | 6.89% | 11.92% | 8.57% | 14.62% | 8.02% |
| | **Calendar Year Returns** | | | | | | | **Annualized Returns** | | | |



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The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.
The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 3000 Index is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI China Index is constructed based on the integrated China equity universe included in the MSCI Emerging Markets Index, providing a standardized definition of the China equity opportunity set. The index aims to represent the performance of large- and mid-cap segments with H shares, B shares, red chips, P chips and foreign listings (e.g., ADRs) of Chinese stocks. China A shares will be partially included in this index, making it the de facto index for all of China. It can be used as a China benchmark for investors who use the MSCI ACWI Index or MSCI EM Index as their policy benchmark.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa.Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

MSCI ACWI: Morgan Stanley Capital International All Country World Index (MSCI ACWI) is an index designed to capture large and mid cap representation across 23 developed markets and 23 emerging market countries. The index covers approximately 85% of the global investable equity opportunity set. Represented countries are: Developed Markets: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Emerging Markets: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt
The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Likewise, it is important to remember that no investment strategy assures success or protects against loss. Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.



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