AMJ Financial Wealth Management
Weekly Market Commentary
April 6, 2020

The Markets

In the *Wizard of Oz*, Dorothy says to her little dog, "Toto, I've a feeling we're not in Kansas anymore." Today, many of us understand Dorothy's trepidation and uncertainty better than ever before.

COVID-19 has changed our world in ways previously unimaginable. In many states, Americans shelter at home, venturing out for groceries, medicine, and other essentials. Parents have become teachers guiding online schoolwork, often while balancing their own work and online meetings. We are learning to manage the loneliness, frustration, and anxiety that accompany quarantine conditions.

We are also learning to cope with rapid and unexpected financial upheaval. In less than a month, businesses have adapted to changed circumstances. Some are laying off or furloughing workers. Others have put equipment and technology in place to allow continued or remote operations. Our collective hope is the curve will flatten.

Despite solid performance early on, the first quarter of 2020 was one of the worst ever for U.S. stock markets.

At the start of the quarter (and the year), investors were confident despite concerns about trade. Many asset classes finished 2019 on a positive note. The Standard & Poor's 500 Index and the Dow Jones Global (ex U.S.) Index both finished the year with double-digit increases. Bonds and gold delivered positive returns, too.

Markets stuttered in January when conflict arose between the United States and Iran but recovered quickly as tensions eased. Soon thereafter, the United States and China reached a preliminary trade agreement. Investors were thrilled and the Dow Jones Industrial Average surpassed 29,000 for the first time ever.

It wasn't until late January that news of the coronavirus outbreak in China began to unsettle investors. Many were concerned that precautions designed to slow the spread of the virus could also slow China's economic growth and, by extension, global economic growth.

Major U.S. stock indices continued to gain value in February. At the time, Ben Levisohn of *Barron's* reported, "They say the best defense is a good offense. The U.S. stock market may offer both… loading up on U.S. stocks looks like the right move. That's because the world's problems [coronavirus in China and lackluster economic growth in the European Union] might actually make U.S. markets more attractive."

The early-March decline in U.S. stock markets was triggered by price wars in the oil market. Natasha Turak of *CNBC* reported that Saudi Arabia and Russia failed to reach agreement about output, which sparked a price war. The subsequent supply and demand imbalance – the market was glutted with oil in a time of falling demand – caused oil prices to drop sharply.

Demand for oil continued to drop as coronavirus spread into more countries. U.S. stocks reflected concerns that COVID-19 could become the catalyst for recession in the United States and elsewhere, reported Heather Long and colleagues at *The Washington Post*. Uncertainty increased when, during U.S. earnings calls, many companies were unable to quantify the potential impact of coronavirus on their businesses.

As the potential human toll of the virus became better understood, many states closed non-essential businesses and issued shelter-in-place orders. Investors began selling shares to ensure they had cash available. As a result, shares were sometimes sold at low prices with little regard for long-term performance potential.

Nicholas Jasinski of *Barron's* reported monetary and fiscal stimulus, including relief for individuals and businesses, has helped restore some optimism to markets. In addition, greater certainty about the potential dimensions of the virus may be restoring confidence. He wrote:

> "Now, investors seem to be moving on to the next stage of the coronavirus market: picking winners and losers. The correlation between stocks in the S&P 500 index has retreated from its recent near record-high levels, a sign that investors may be considering them more on their own merits. And day-to-day index volatility has fallen significantly since the Dow's three-day surge."

It is possible we have passed peak uncertainty. While the exact dimensions of the coronavirus remain unknown, investors' fears have begun to recede. *Barron's* reported the CBOE Volatility Index (VIX), Wall Street's fear gauge, closed below 50 last week for the first time since early March.

Major U.S. stock indices finished last week lower, capping the worst monthly and quarterly performance in U.S. stocks since the 2008 financial crisis.

Data as of 4/3/20	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	-2.1%	-23.0%	-13.4%	1.8%	3.7%	7.7%
Dow Jones Global ex-U.S.	-3.1	-27.1	-22.9	-5.8	-4.0	-0.8
10-year Treasury Note (Yield Only)	0.6	NA	2.5	2.4	1.9	4.0
Gold (per ounce)	-0.3	5.9	25.0	9.0	5.9	3.6
Bloomberg Commodity Index	-0.8	-23.1	-24.3	-10.6	-9.2	-7.5

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HUMOR FOR TRYING TIMES. In her article, *Yes, this business still has your email! Here's how we're responding to covid-19!*, Alexandra Petri of *The Washington Post* skewered tone-deaf communications. Here is an excerpt:

> “We hear that last week’s email saying we would for the first time be sanitizing all the shared equipment was not what people wanted right now, exactly! Message received loud and clear! So we put our heads together to think of a way to come together and serve this cherished community…You may be thinking, ‘I am not part of the Sam’s Kayak Family, and to be completely honest, I did not know you had my information!’ To that we say: We hear you, we see you, and we are so proud to have you in the Sam’s Kayak Family.”

Weekly Focus – Think About It

“Fate is like a strange, unpopular restaurant filled with odd little waiters who bring you things you never asked for and don't always like.”

--Lemony Snicket, Author

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* 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.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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