

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished March at 21,917 down -13.74% for the month and -23.20% year-to-date. The S&P 500 closed March 31 at 2,585 down -2.51% for the month and -20.00% so far for the year. The NASDAQ Composite fell -10.12% in March, and -14.18% for the year. Small-company stocks as measured by the Russell 2000, ended March at 1,153, down -21.90% for the month, and -30.89% year-to-date. Energy (-52.29%) was the worst performing sector in the first quarter of 2020.

"March brought the most volatile trading since the global financial crisis: The 10 largest daily percentage falls in the past two years for the S&P 500 have all come since Feb. 20." (The Wall Street Journal, *The Great Markets Unwind Might Be Pausing, but Traders Aren't Relaxed*, Paul Davies, April 1, 2020)

The Stakes are High for Every Aspect of Coronavirus

As March closed a new reality set in, one that put financial matters and investment accounts into a new context for many. Modelers are now projecting the global death toll from the novel coronavirus could be far greater than expected even just a week or two ago, projections at levels commensurate with major wars. Entire segments of the economy are shut down, workers have been laid off or furloughed, and most of the country remains under orders to stay home. The capital markets have experienced historic volatility, with multiple days of +/- 10% swings, necessitating injections of liquidity into certain markets by the Federal Reserve. The decisions we make as citizens, as neighbors, and as humanity in the days, weeks, and months ahead are uniquely profound. For investors, actions taken in the midst of such volatility can similarly, disproportionately, affect long-term outcomes in investment accounts. Below we'll cover the questions we encourage investors and committees to be considering now. Don't hesitate to reach out to us if we can help you or your committees in any way.

Things to Consider Now

Has anything changed with our investment needs or goals? Changes to an investment policy should be based on changes to the needs or goals of the investor, and not on market swings. Sentiment in markets changes much more frequently than your expected retirement date, or an endowment spending policy. If budgetary needs have changed in light of recent developments, we can analyze if your current investment allocation still matches this adjusted need. If your long-term goals remain unchanged, we would encourage you to view last quarter's returns in the context of 5, 10, and 20+ year time periods.

Are there any meaningful cash needs we have in the next 0-18 months? We try to prepare in advance for large cash needs in the short term, so that those funds won't be exposed to the type of market volatility we've experienced so far this year. If meaningful cash needs are expected in the near-term and are not yet liquid, you can still communicate those to us so we can explore strategic ways to raise that cash efficiently. If cash is not needed, we'd encourage investors to avoid selling equities unless you need to, and to remain committed to your long-term equity allocation.

"Markets, however, are forward-looking and may soon be looking for more [than gov't stimulus]. 'The success of central bankers puts the spotlight on the more important aspects of this fight - the one against the spread and devastation of the virus, and the one against the economic blight that comes with it,' writes Societe Generale strategist Kit Juckes." (Barron's, *The Dow Ignored the Spread of Coronavirus Last Week. It Won't Be Able to Anymore*, Ben Levisohn, March 27, 2020)

What is Our Outlook for the Future?

Investing is a forward-looking exercise, and as unpleasant as it is, the market losses experienced in March have already occurred. Changes to de-risk a portfolio now would lock in recent losses, and disrupt the portfolios ability to participate in an eventual recovery. Sticking to a long-term plan through short-term swings, rebalancing when allocations drift, and managing cash flows efficiently have been shown in study after study over decades, and through multiple crises, to be the controllable factors most likely to contribute to improved investor success over time. We expect recession and bear markets to be a part of every business cycle, and for equity returns to revert to around their historical averages over long periods of time. At a time of unprecedented difficulty for the people and churches we serve, we stand committed and ready to serve with online giving options, cash flow planning, performance reviews, or any other service you or your committee needs at this time. You and your churches are in our prayers, and we are here to support you, as we all move forward together.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 02/28/2020	CLOSE AS OF 03/31/2020	CHANGE PREVIOUS MONTH END	2020 YTD % CHANGE
Dow Jones Industrial Average	25,409.36	21,917.16	-3,492.20	-23.20%
S&P 500	2,954.22	2,584.59	-369.63	-20.00%
NASDAQ Composite	8,567.37	7,700.10	-867.27	-14.18%
RUSSELL 2000	1,476.43	1,153.10	-323.33	-30.89%
Fed Funds Rate	1.50%- 1.75%	0.00% - 0.25%	-1.50%	
2-Year Treasury	0.86%	0.23%	-0.63%	
10-Year Treasury	1.13%	0.70%	-0.43%	
Crude Oil \$ per Barrel	\$47.09	\$20.48	-\$24.28	-66.46%
Gold \$ per Troy oz.	\$1,566.70	\$1,596.60	+\$29.90	+4.83%
UK Pound in U.S. \$	\$1.2773US = 1£	\$1.2400US = 1£	\$ STRONGER	-6.40%
Euro in U.S. \$	\$1.0985US = 1€	\$1.0973US = 1€	\$ STRONGER	-2.25%
Canada \$ per U.S. \$	\$1.34235C = \$1.00 US	\$1.42335C = \$1.00 US	\$ STRONGER	+9.76%
Japan Yen per U.S. \$	107.865¥ = \$1.00US	107.955¥ = \$1.00US	\$ STRONGER	-0.66%



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