THE CAPITAL MARKETS

Presbyterian FOUNDATION

NEW COVENANT TRUST COMPANY

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The Dow Jones Industrial Average (DJIA) finished April at 24,346 up +11.08% for the month, and down -14.69% year-to-date. The S&P 500 closed April 30 at 2,912 up +12.68% for the month, down -9.85% so far for the year. The NASDAQ Composite rose +15.45% in April, down -0.93% for the year. Small company stocks as measured by the Russell 2000 ended April at 1,311, up +13.66% for the month, and down -21.45% year-to-date. Energy (+32.25%) was the best performing sector in April.

"'At this point we'd like to choose a side, though we wouldn't be surprised if stocks rise and fall but ultimately go nowhere over the next couple of months- and we're not alone in that view." (Barron's, *The Trader*, By Ben Levisohn, May 1, 2020)

Markets Recover in April, More Volatility Expected

Markets had their best month since 1987 in April, following their worst month since 2008 in March. March was one of the 20 worst months of all time for markets, and April one of the 20 best. Such volatility is expected to persist as market participants continue to operate under profound uncertainty surrounding the COVID-19 pandemic, its timeline, and its ultimate effect on the global economy. A general optimism took hold in April, with some signs of the curve flattening in New York, time lines being proposed for phased-in re-openings, and positive initial reports surrounding the drug Remdesivir as a possible therapy. Because of the rapid nature of the outbreak and pursuant shutdowns, actual economic data being released still has not caught up to reflect the full effects of the economic shock. As we saw multiple times during the U.S.-China trade negotiations, market activity driven by sentiment and rapid news flow, rather than specific economic data or corporate earnings, can be reversed quickly and sharply. Investors should expect the choppiness to continue until there is more clarity surrounding the virus and the new economic normal we'll be facing as activity attempts to resume through the summer. We'd encourage investors to evaluate and affirm their time horizon, equity risk exposure, and any near-term cash needs as we enter this next phase of uncertainty.

Weekly Unemployment Claims Reflect Devastating Reality

One of the few economic indicators reporting rapidly enough to capture the ongoing effects of the COVID-19 pandemic have been the weekly unemployment numbers. Over 30 million Americans have filed for unemployment insurance in just the 6 weeks ending April 25th. The prior record of 695,000 in 1982 was shattered when 3.3 million filed for unemployment the week ending March 22nd, hitting 6.9 million March 29th. Many expect the unemployment rate to reach at least into the mid-teens in April's unemployment report, with many expecting it could deteriorate further into June. With all the jobs created since the Great Recession wiped away and then some, many expect it will take at least multiple years for the labor market to fully recover from an economic shock the magnitude of which has not been seen since the 1930's Great Depression. The comparisons are not perfect, and action by the Federal Reserve so far has helped buffer some of the structural damage, but there's no minimizing the unprecedented economic pain millions of American families are now facing at this difficult time.

"'The U.S. economy is reopening, that's what's given this new sentiment lift,' said Patrick Spencer, managing director at Baird. 'But it is hard to say just how fast the economy will bounce back. There are so many unknowns over the length of Covid and how consumers will behave once the economy begins to reopen.' (The Wall Street Journal, *Stocks Waver as Investors Look to Earnings*, Economic Data, by Avantika Chilkoti, May 6, 2020)

Low Interest Rates are Back

Following a brief period between 2017-2019 when interest rates were rising toward more historically normal levels, the COVID-19 pandemic has caused the Federal Reserve to slash interest rates from 1.50%-1.75% to 0%-0.25% in the month of March. Low interest rates are considered stimulative and accommodative monetary policy from a central bank, and should help with the liquidity and financing necessary for companies in such a difficult environment. Persistently low interest rates, however, can be challenging for fixed income investors and sometimes causes investors to reach for higher yields in riskier or more complicated fixed income investments. We'd encourage investors to carefully monitor the credit and interest rate risk in their bond funds or fixed income portfolios, and ensure these match your goals, we're happy to help with this analysis.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 03/31/2020	CLOSE AS OF 04/30/2020	CHANGE PREVIOUS MONTH END	2020 YTD % CHANGE
Dow Jones Industrial Average	21917.16	24345.72	+2428.56	-14.69%
S&P 500	2584.59	2912.43	+327.84	-9.85%
NASDAQ Composite	7700.10	8889.55	+1189.45	-0.93%
RUSSELL 2000	1153.10	1310.66	+157.56	-21.45%
Fed Funds Rate	0.00%- 0.25%	0.00% - 0.25%	UNCHANGED	
2-Year Treasury	0.23%	0.20%	-0.03%	
10-Year Treasury	0.70%	0.64%	-0.06%	
Crude Oil $ per Barrel	$20.48	$18.84	-$1.64	-69.15%
Gold $ per Troy oz.	$1596.60	$1694.20	+$97.60	+11.23%
UK Pound in U.S. $	$1.2400US = 1£	$1.2613US = 1£	$WEAKER	-4.79%
Euro in U.S. $	$1.0973US= 1€	$1.0953US= 1€	$STRONGER	-2.42%
Canada $ per U.S. $	$1.42335C = $1.00 US	$1.38895C = $1.00 US	$WEAKER	+7.11%
Japan Yen per U.S. $	107.995¥=$1.00 US	106.935¥=$1.00 US	$WEAKER	-1.60%

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NEW COVENANT TRUST COMPANY
200 E 12th Street, Jeffersonville, IN 47130
800-858-6127 option 6 newcovenanttrust.com