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U.S. stocks closed out their worst quarter since the depths of the financial crisis. Just months ago, money managers were optimistic the bull market would continue. The U.S. and China had appeared to make progress on a trade agreement, and central banks around the world looked poised to keep interest rates steady for the foreseeable future.

Then the coronavirus pandemic hit. What to many investors initially appeared to be an issue that would primarily affect China quickly became a force that brought business to a standstill around the world. As a result, investors fled assets ranging from stocks to commodities to emerging market debt.

The S&P 500 index of large companies fell 20%, its biggest quarterly decline since 2008. The Dow Jones Industrial Average lost 23%, and the tech-heavy Nasdaq Composite finished down 13%. Elsewhere, European and Japanese stocks experienced their sharpest declines in more than a decade.

Aside from the coronavirus pandemic, Russia and Saudi Arabia, two of the world's biggest oil producers, set off an oil price war in early March. The catalyst was Moscow's decision to blow up a three-year old pact to manage global oil supplies, refusing to sign on to the Saudi Arabia's proposed cuts. Now both countries seek to increase production and control market share, hoping to break U.S. shale producers. Not surprisingly, one of the worst-hit sectors in the first quarter were shares of energy companies, getting smacked with a double whammy – the demand shock of Covid-19 and the supply shock of Saudi Arabia's price war with Russia. Exxon Mobil and Chevron have dropped 46% and 40%, respectively for the year.

Bond funds barely held onto gains for the quarter. Funds tied to intermediate-maturity investment-grade debt rose a mere .4%, punished by a 3.9% drop in March. That said, bonds in general, and government bonds in particular, added much needed stability to portfolios.

There is still a huge amount of uncertainty right now. Is this a quick recovery, or is this something that lingers and lasts longer than we thought? The government is hopeful that the unprecedented monetary and fiscal stimulus measures put in place will help build a bridge to the future. First, the Federal Reserve, in its effort to stimulate the economy, cut interest rates to near zero just a few weeks ago. Second, the CARES Act that was signed into law on March 27 will provide much needed relief to both individuals and businesses.

We are diligently working to get timely information out to you about all of the changes in the new law so you fully understand how they impact you, your family and your business. Don't despair, this economic crisis will pass, and pass quickly, once the clampdown is lifted.

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Sources:
-Wall Street Journal, Stocks End Worst Quarter in 12 Years, 4/1/20
-Wall Street Journal, Pain in the Oil Patch, 4/1/20
-Valmark's TOPS Quarterly Commentary, 4/6/20