

# Market Update

*June 5, 2020*

# Capital Market Returns

## U.S. Equity

As of Date: 6/5/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak	Since S&P Low
S&P 500 TR USD	4.96	24.05	-0.26	15.31	11.64	11.07	13.96	-5.08	43.36
Russell 1000 TR USD	5.10	25.27	-0.06	15.11	11.54	10.79	13.90	-5.14	44.99
Russell 1000 Growth TR USD	3.24	26.47	8.64	27.62	17.93	15.33	16.64	-0.56	45.07
Russell 1000 Value TR USD	7.58	23.78	-9.31	2.35	4.88	6.03	10.98	-10.40	44.88
Russell Mid Cap TR USD	7.04	31.02	-4.45	6.32	7.56	7.46	12.54	-7.97	54.09
Russell Mid Cap Growth TR USD	3.96	32.32	5.80	17.88	14.94	11.57	14.80	-1.09	53.84
Russell Mid Cap Value TR USD	9.62	30.02	-11.21	-1.32	2.42	4.62	10.89	-12.73	54.28
Russell 2000 TR USD	8.13	30.99	-9.11	1.55	4.01	5.11	10.56	-10.52	50.81
Russell 2000 Growth TR USD	5.65	32.86	-1.37	10.21	8.92	7.19	12.69	-6.15	52.49
Russell 2000 Value TR USD	11.42	28.75	-17.16	-7.50	-1.19	2.74	8.25	-15.40	48.78

## International Equity

As of Date: 6/5/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak	Since S&P Low
MSCI ACWI NR USD	5.83	22.27	-3.86	9.14	6.80	6.73	9.28	-6.42	41.01
MSCI ACWI Ex USA NR USD	7.31	19.22	-8.62	1.92	1.74	2.57	5.25	-8.09	37.05
MSCI EAFE NR USD	7.07	18.95	-8.20	2.02	1.53	2.53	6.12	-7.47	37.45
MSCI EAFE Growth NR USD	4.40	18.26	-2.45	10.12	5.54	5.58	7.96	-3.51	35.94
MSCI EAFE Value NR USD	9.71	19.10	-14.49	-6.58	-2.76	-0.75	4.12	-12.12	38.46
MSCI EAFE Small Cap NR USD	5.98	25.34	-9.15	3.66	1.58	4.67	8.55	-7.29	47.26
MSCI EM NR USD	7.87	18.66	-9.34	2.38	1.97	2.85	3.39	-8.50	32.93
MSCI EM Small NR USD	9.00	27.12	-12.75	-5.93	-3.08	-1.86	1.97	-10.94	44.85

## Fixed Income

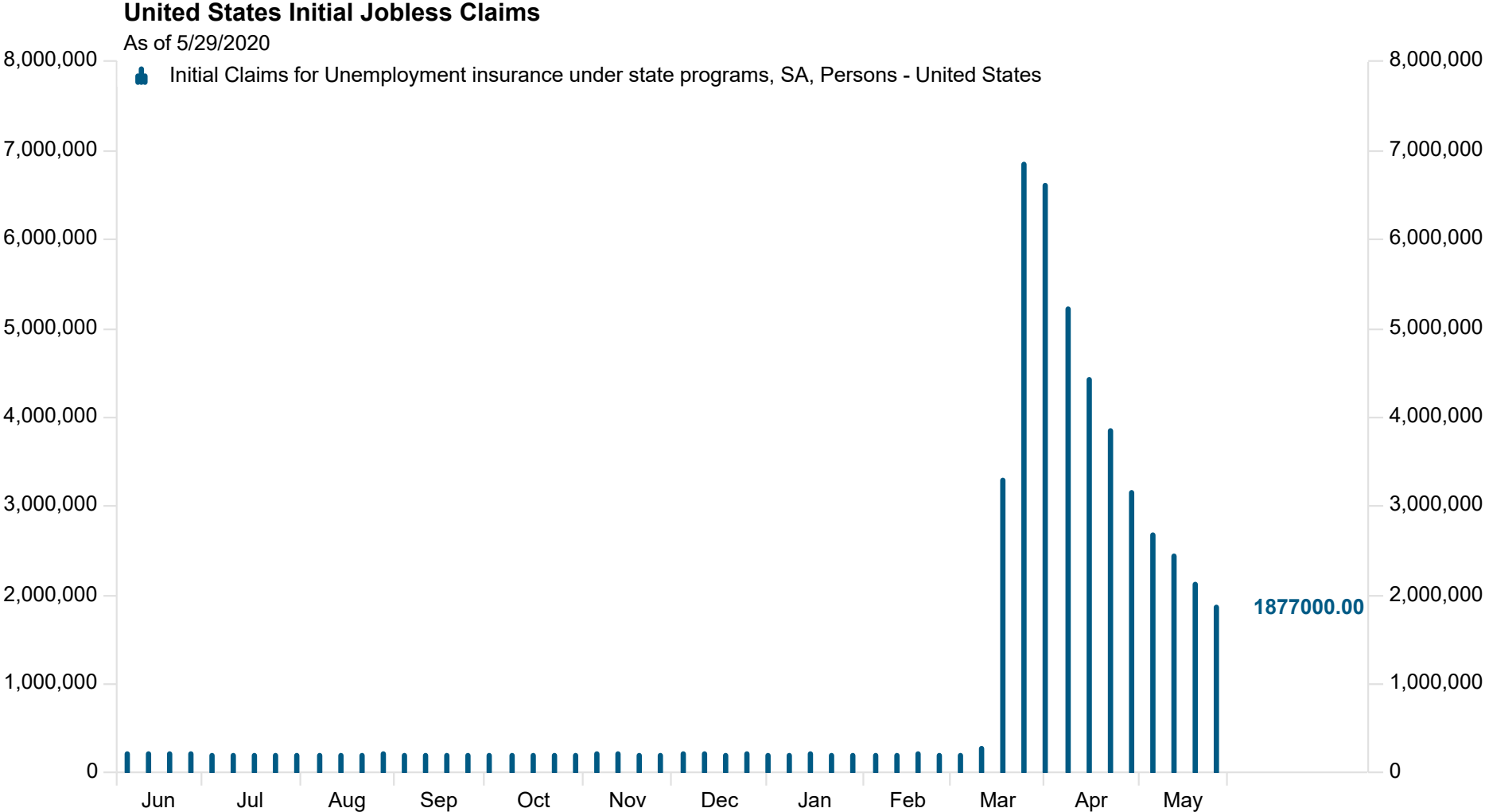
As of Date: 6/5/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak	Since S&P Low
BBgBarc US Agg Bond TR USD	-0.49	1.75	4.95	8.77	4.86	4.12	3.82	2.90	3.88
BBgBarc US Corp Bond TR USD	0.51	7.43	3.53	10.47	5.87	5.51	5.47	0.85	14.97
BBgBarc US Corporate High Yield TR USD	3.10	12.49	-1.78	3.99	4.01	5.07	7.04	-2.98	22.44
BBgBarc US Govt/Credit Long TR USD	-1.87	2.64	9.02	18.62	9.21	8.20	7.75	3.12	8.22
BBgBarc US Treasury US TIPS TR USD	-0.73	2.34	4.07	6.96	4.06	3.53	3.41	2.09	2.53
ICE BofA US 3M Trsy Bill TR USD	0.00	0.01	0.59	1.82	1.79	1.19	0.63	0.38	0.00
FTSE WGBI USD	-0.53	0.85	2.87	4.94	3.51	3.69	2.52	2.74	2.99
JPM EMBI Plus TR USD	2.05	9.41	-0.08	4.43	2.42	4.92	5.76	-3.29	18.04

Performance data from Morningstar Direct. The S&P 500 reached its peak on 2/19/2020. Performance for "Since S&P Peak" is inclusive from 2/20/20 to the listed as of date. The S&P 500 touched its 2020 low on 3/23/2020. Performance for "Since S&P Low" is inclusive from 3/24/20 to the listed as of date.

# Shutdown Starting to Have an Impact

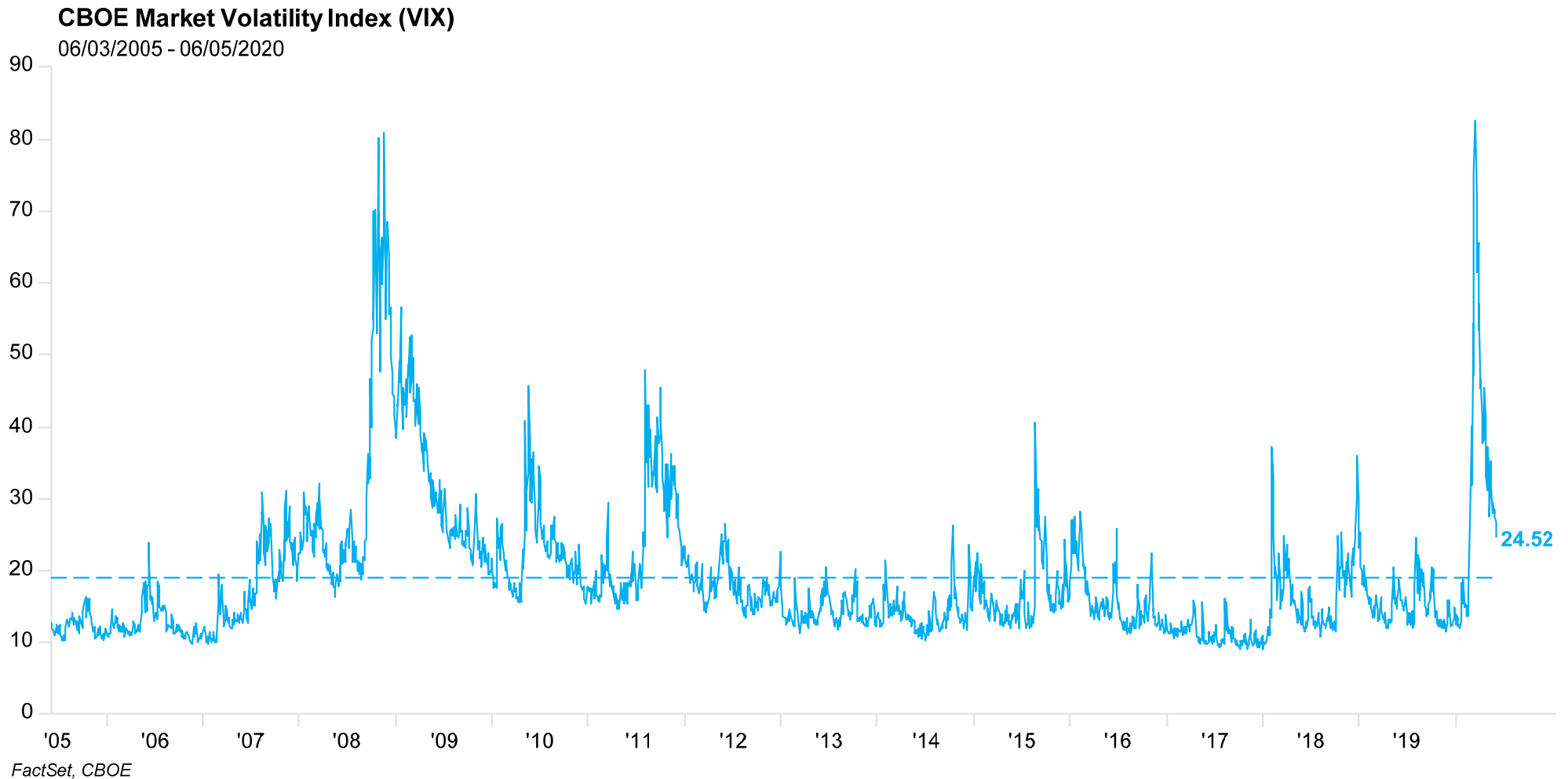
Initial jobless claims were reported as 1.9 million for the week of May 29<sup>th</sup>. This is the eleventh week in a row of multi-million level claims, bringing the 11-week total to over 42 million.



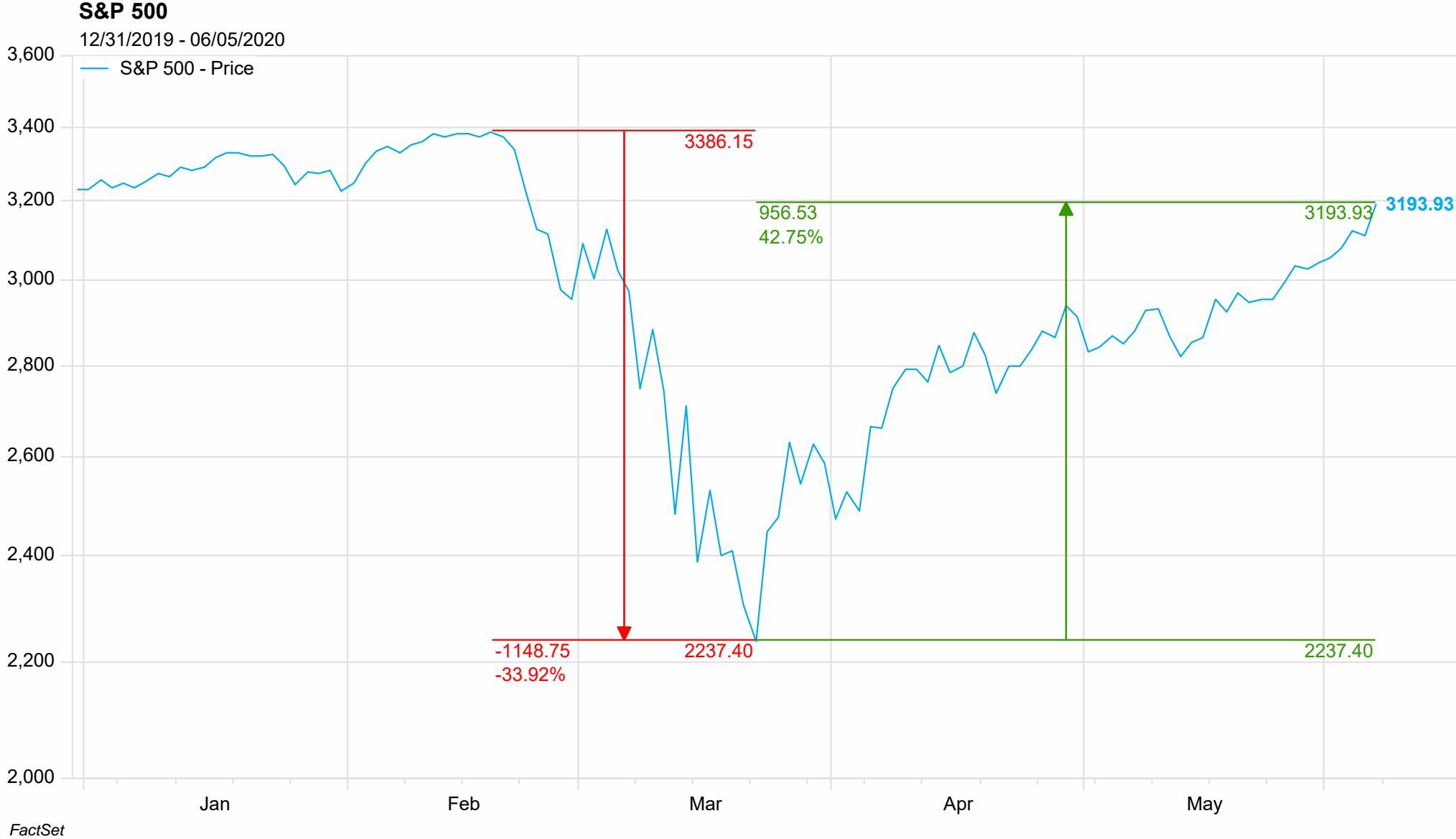
FactSet, U.S. Department of Labor

# Increased Market Volatility

The CBOE VIX measures volatility of the S&P 500 Index. The recent spike drove the measure to the highest level since the 2008 financial crisis (when it peaked above 80).

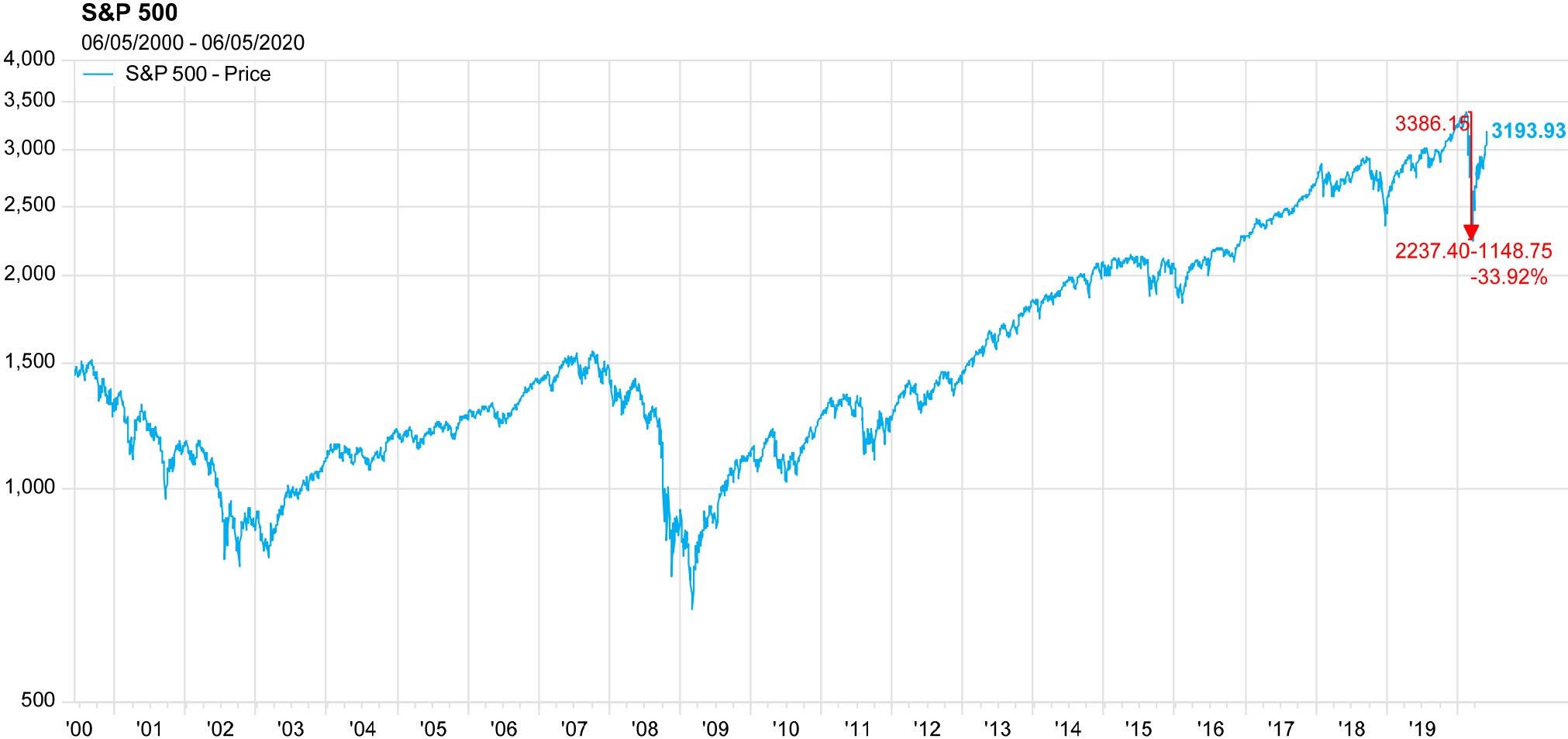


# S&P 500 Price Index – YTD 2020



# S&P 500 Price Index – Last 20 Years

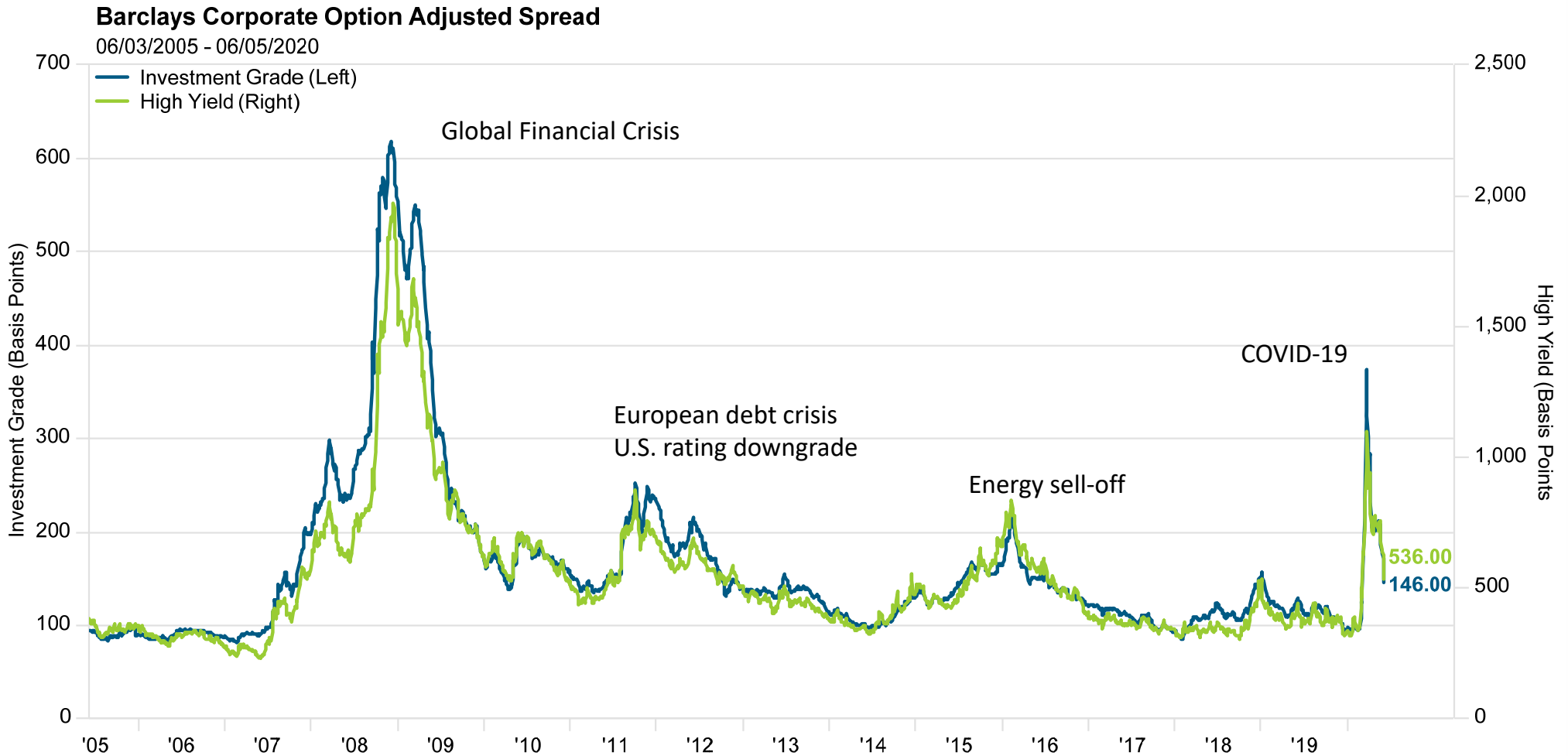
The S&P 500 crossed into bear market territory, ending one of the longest bull markets on record. However, it is important to note, the S&P 500 returned over 400% from the low in 2009 to the recent market high (2/19/2020).



FactSet

# Credit Spreads

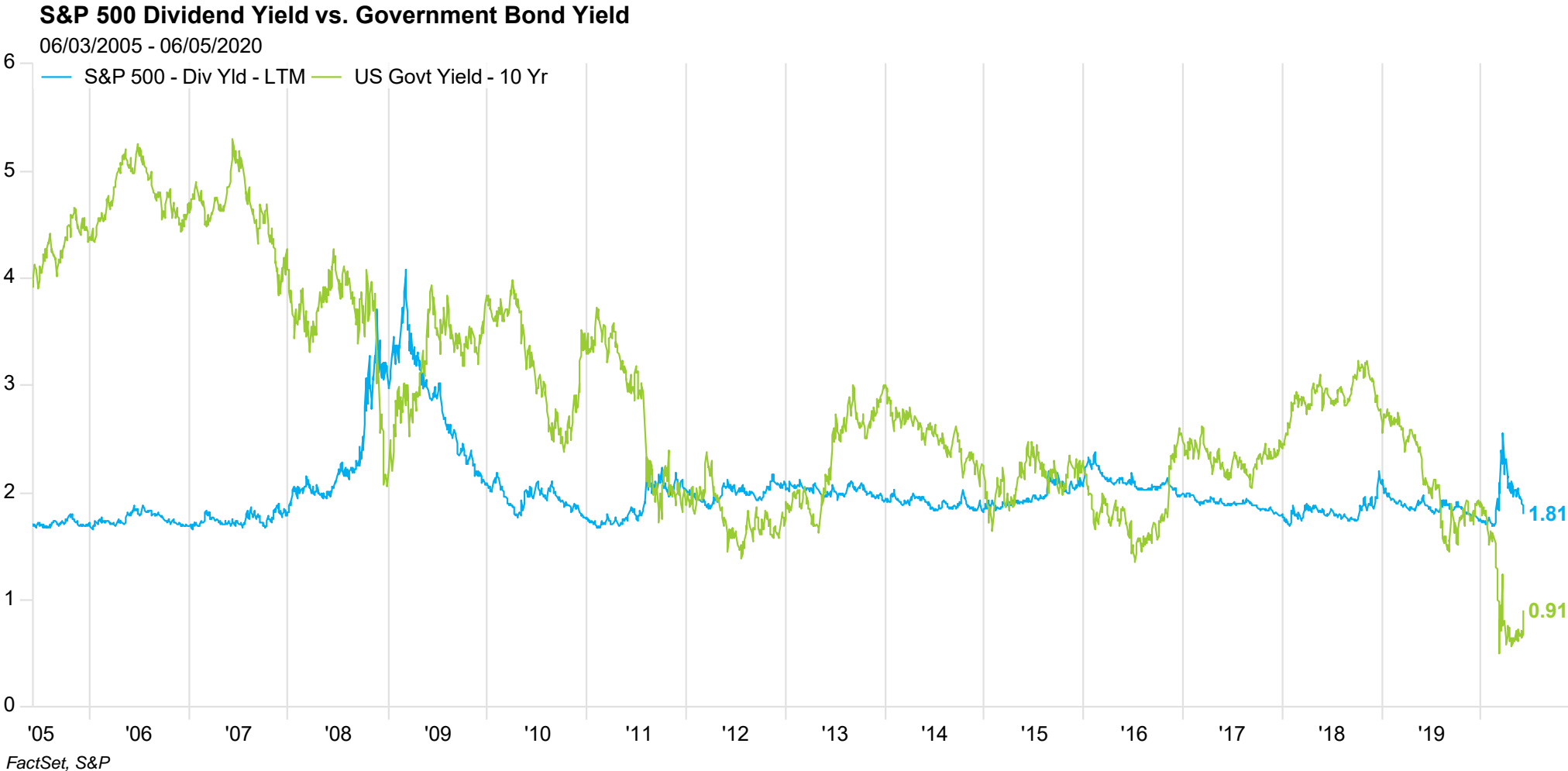
Corporate credit spreads measure the amount of incremental compensation demanded by investors to bear credit risk compared to U.S. Treasuries.



FactSet, Bloomberg Barclays

# Stocks vs. Bonds

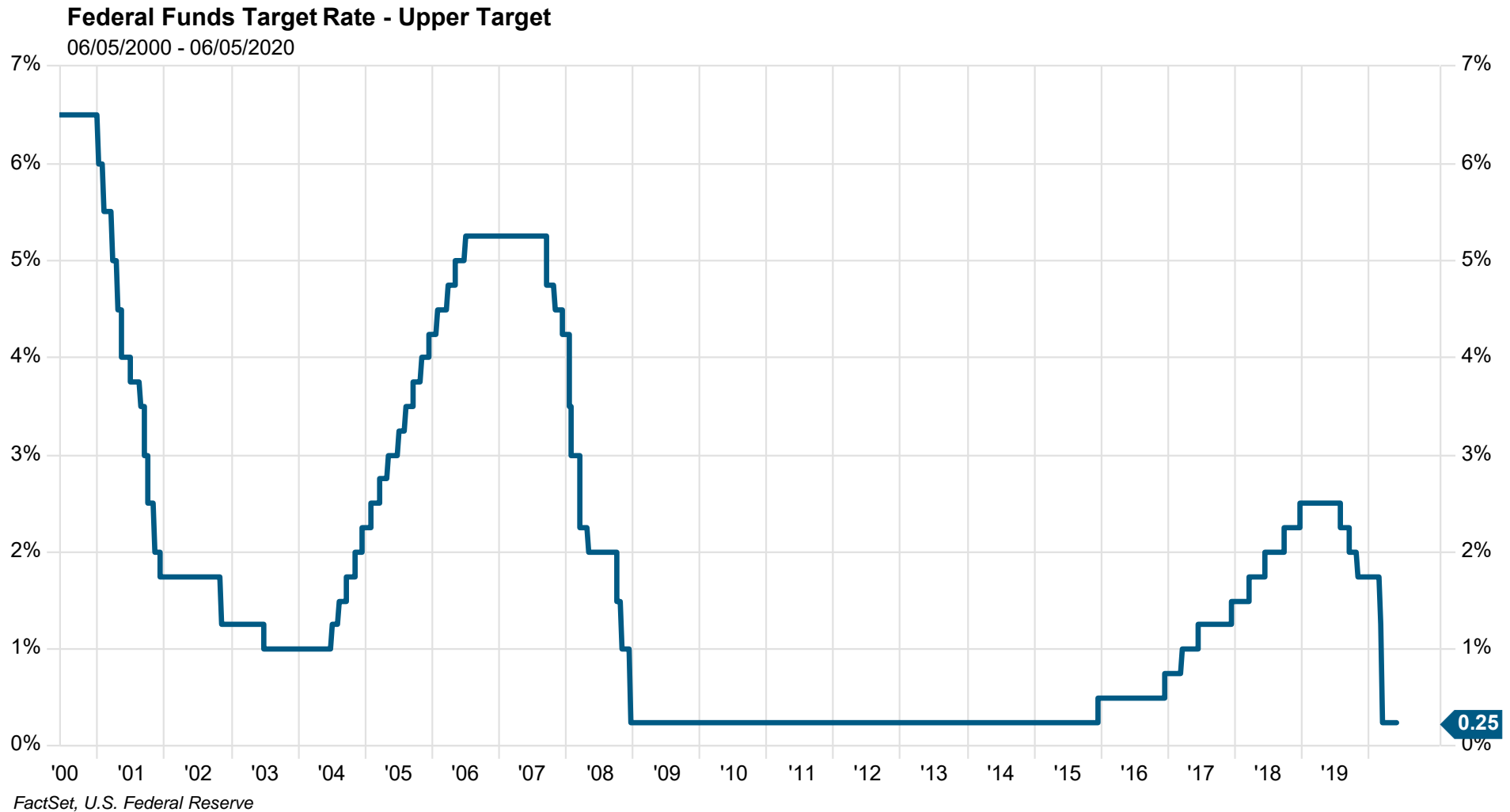
A significant drop in interest rates and equity prices has resulted in a meaningful gap between equity dividend yields and bond yields.





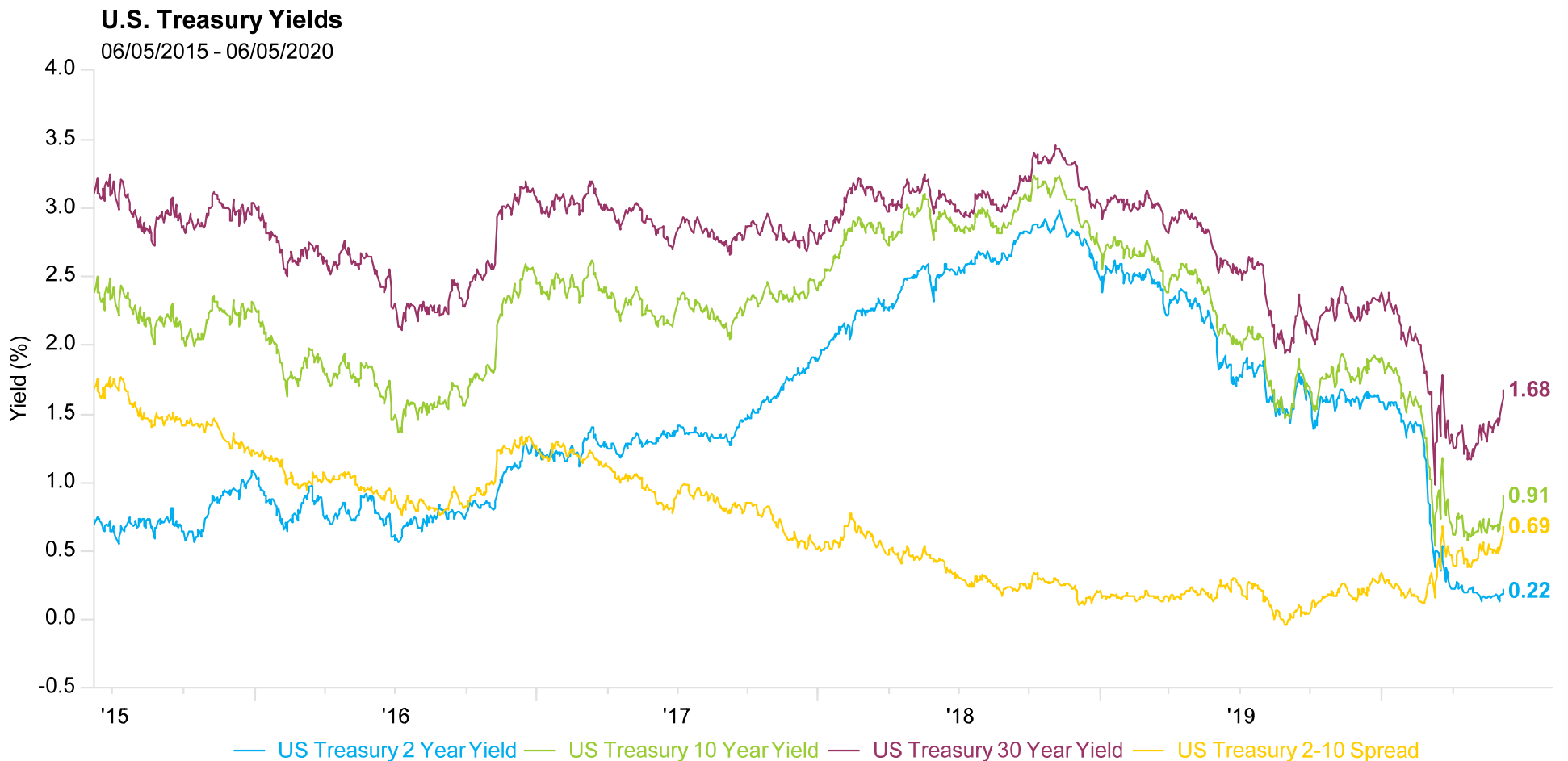
# Federal Funds Rate

The U.S. Federal Reserve cut the federal funds rate to a new target range of 0.00% - 0.25%. According to the Wall Street Journal, this marks the first time the Fed has cut interest rates on two separate occasions between scheduled meetings since the Fed began announcing rate movements in 1994. The Fed has announced a plethora of lending facilities to inject liquidity into the bond market.



# Interest Rates

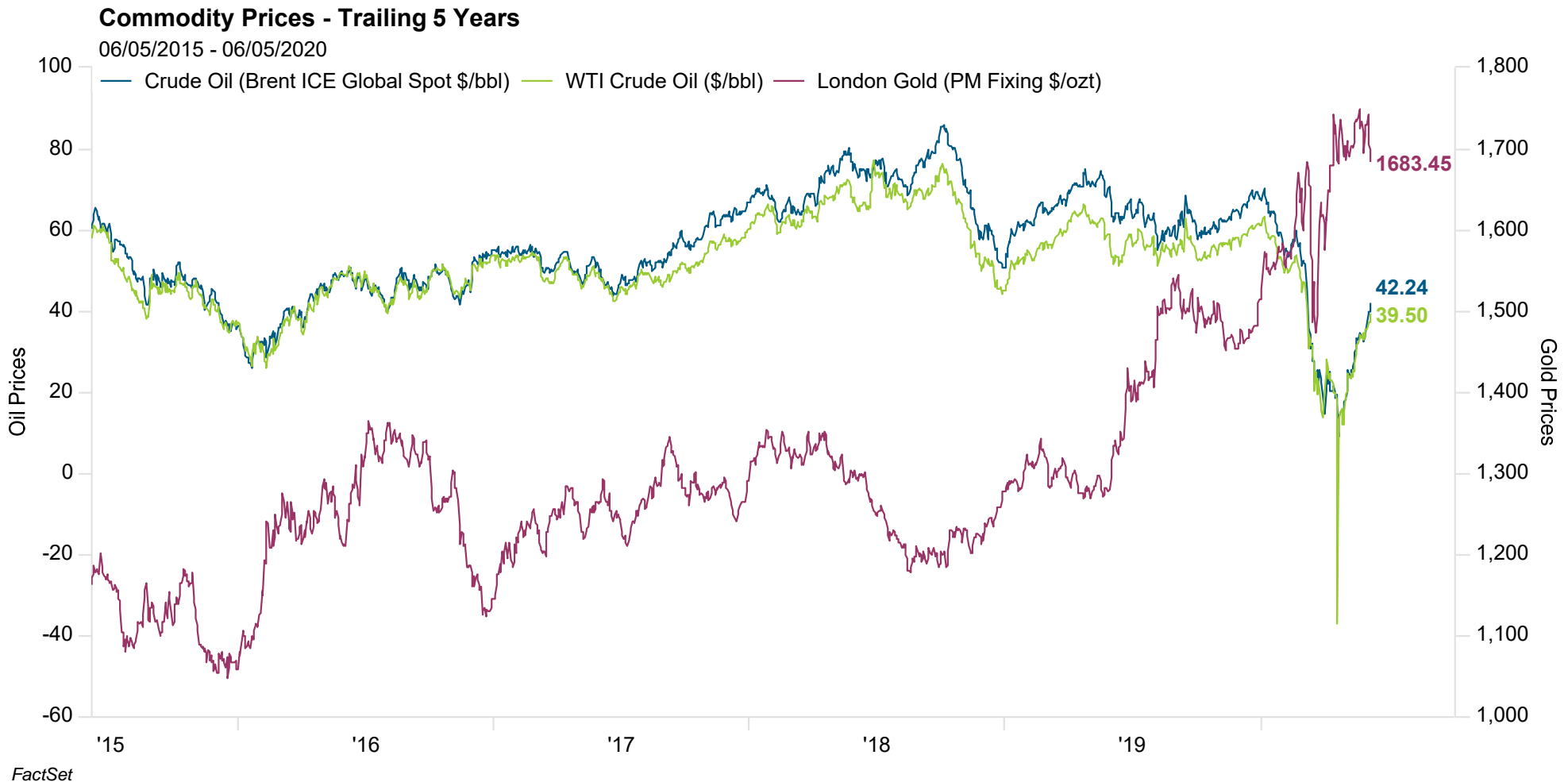
Interest rates have fallen significantly since the start of the year, with the U.S. 10-year Treasury yield closing at 0.54% on March 9. Rates have backed up since and the curve has steepened modestly with the spread between 2-year and 10-year Treasuries at about 69 bps.



FactSet, U.S. Federal Reserve

# Commodity Prices

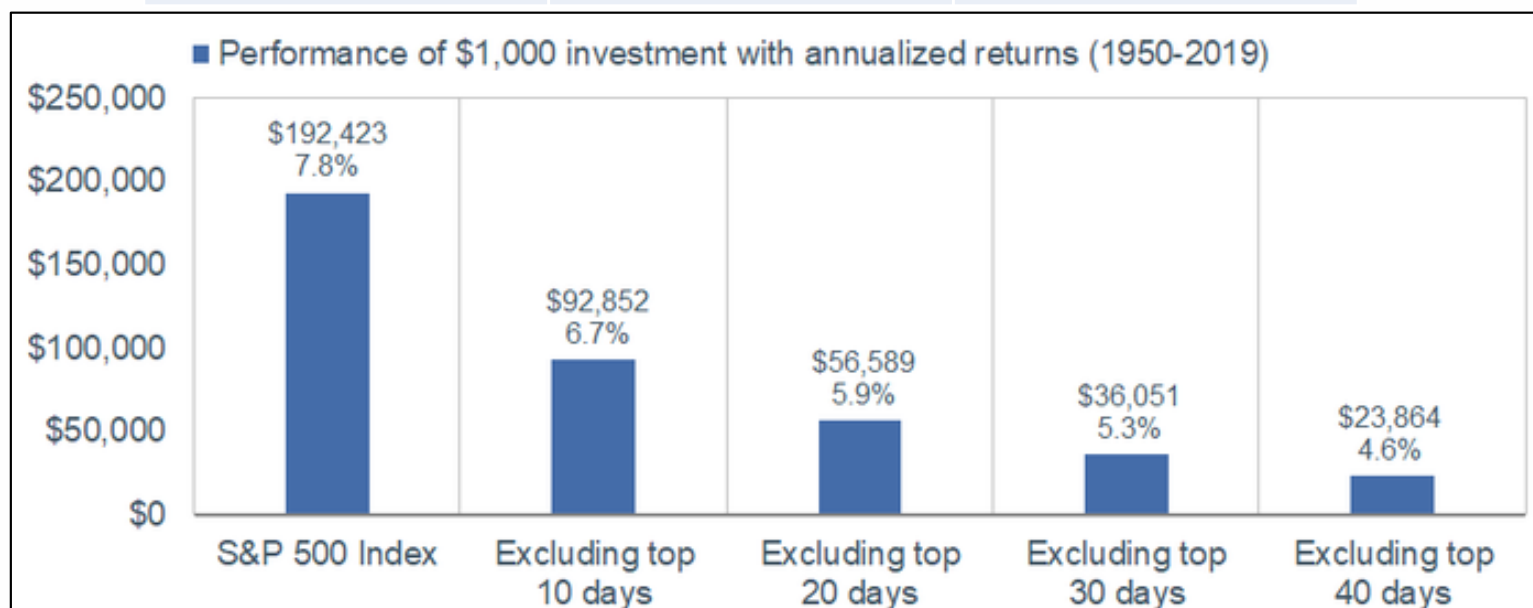
The price of oil has dropped sharply following the breakdown in the alliance between Russia and the OPEC cartel. This compounded the existing uncertainty in the market due to the coronavirus and caused a broad sell-off in equity markets.



# Staying the Course

Periods of market consolidation occur regularly in well functioning capital markets.

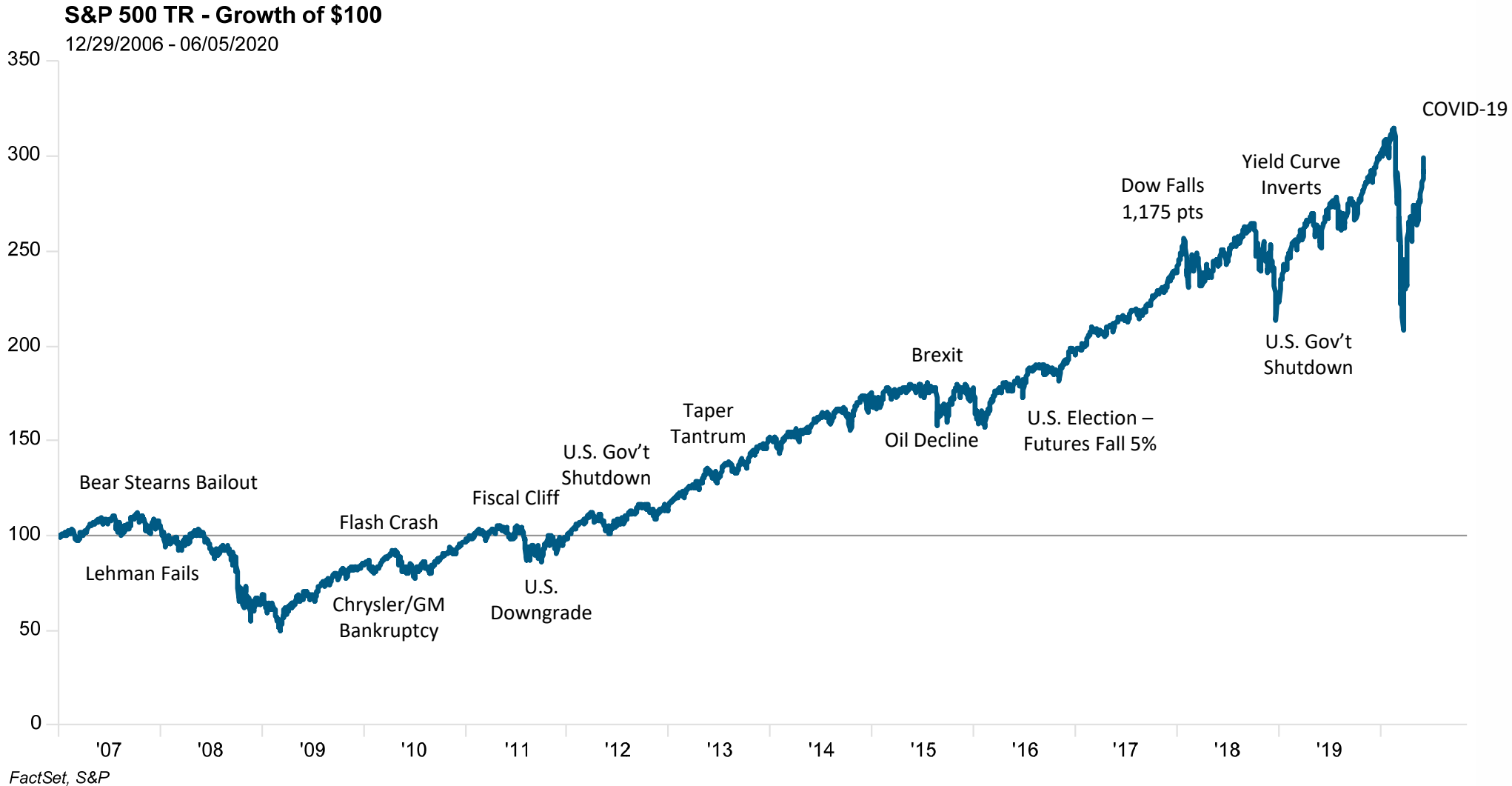
Drawdown (Peak to Trough)	# of Occurrences (1937-2019)	Average Recovery Time (Months)
-5% to -10%	54	0.9
-10% to -20%	21	2.3
-20% to -30%	4	7.9
-30% to -40%	2	10.0
-40% to -50%	2	24.4
-50% or greater	2	38.6



*Fifteen of the S&P 500's top twenty days since 1950 have occurred during bear markets.*

# Resilient Markets

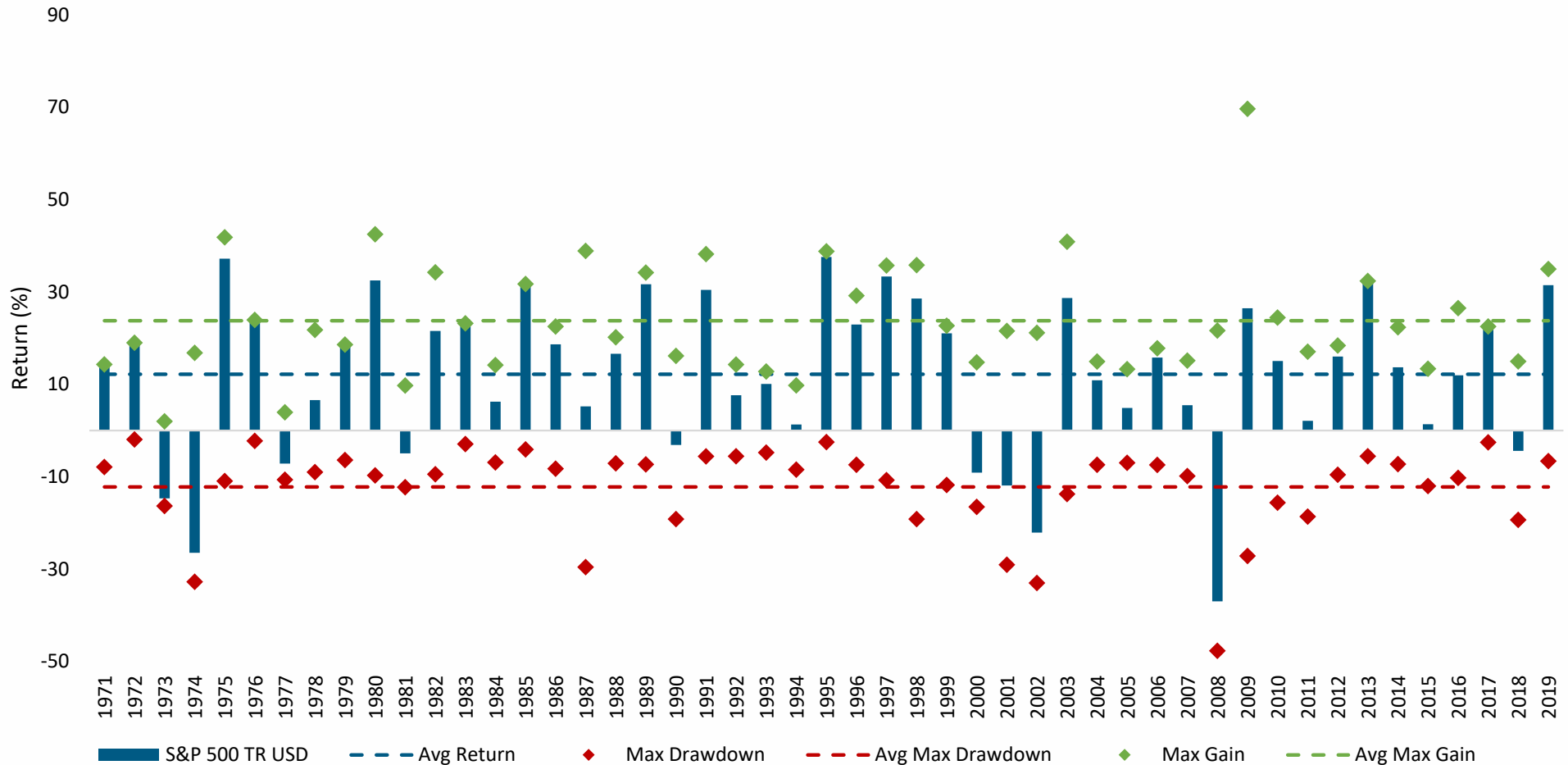
Markets have proven to be remarkably resilient when confronted by noteworthy challenges.



# Historical S&P 500 Returns

(Total Return)

Annual Return and Max Drawdown/Gain of the S&P 500 Total Return Index (1971-2019)



- The S&P 500 has had an average calendar year return of 12.2% and a median calendar year return of 15.1%
- The average max drawdown in a given calendar year was -12.2%, the average max gain was 23.8%
- The S&P 500 had a positive return in 80% of the calendar years (39 of 49)

Source: Morningstar, FactSet. Data is from 1/1/1971 to 12/31/2019.

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