

## Foresight Market Summary

March 31, 2020

### Market Highlights:

The market experienced tremendous downward pressure and volatility in the first quarter as a result of the global pandemic. After hitting an all-time high on February 19, the S&P 500 quickly entered into bear market territory and finished the first quarter down nearly 20%. Other indices like small cap and the international

markets fared worse. COVID-19 resulted in the fastest-forming bear market on record. Whereas Treasury bonds rallied (yields down), the credit market was also hit hard, with bank loans and high yield bonds down double digits.

### Economic Outlook:

As COVID-19 took hold and governments worldwide began shutting down their economies, it became evident that we swiftly entered into a global recession. In the U.S., Congress and the Federal Reserve quickly came to the rescue by providing record-breaking stimulus. Washington passed the CARES Act, a \$2.2TR fiscal stimulus package aimed at putting cash in people's bank accounts and easing businesses' cash flow burdens. The Federal Reserve took the Fed Funds Rate to zero and rolled out waves of unprecedented monetary stimulus in order to inject liquidity into the system and buoy asset prices. Combined, the fiscal and monetary stimulus will be worth over one-third of our country's GDP. Currently, the market is trying to weigh the importance of two factors that are at odds with each other: the economy's fundamental data

are getting worse with each week the economy is shutdown, yet COVID-19 data are getting incrementally better.

### Insight of the Month:

Discipline, diversification, and a long-term perspective are our biggest allies when headlines are scary and the market outlook is bleak. The worst thing we can do in a moment of high volatility and uncertainty is panic. It's important to remain focused on the long-term nature of your retirement portfolio. Regarding diversification, this chart from J.P. Morgan shows various asset classes and their calendar year returns.

Our two takeaways are: **(1)** while diversification can't protect your portfolio against losses, it can reduce the impact of volatility. The grey "Asset Allocation" tile for each calendar year shows that; **(2)** it's very difficult to predict which asset class will be next year's big winner or loser, meaning market timing and excessive trading typically don't pay.

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year	Econ. Indicators	Percent	As of
S&P 500 Index	-19.43%	-19.23%	-11.78%	-6.87%	4.97%	6.47%	Fed Funds Target	0.25%	3/31/2020
MSCI All Country World Index	-21.05%	-20.87%	-13.73%	-11.13%	1.76%	2.92%	Inflation Core CPI	2.30%	3/31/2020
Russell 2000 Small Cap Index	-30.65%	-30.55%	-23.71%	-24.14%	-4.61%	-0.33%	Unemployment	4.40%	3/31/2020
Dow Index	-22.61%	-22.46%	-17.22%	-13.41%	4.21%	6.50%	Real GDP Growth	2.30%	9/30/2019
MSCI EAFE Index	-23.01%	-22.66%	-16.80%	-14.86%	-2.13%	-1.04%	Yield Curve Spread	0.47%	3/31/2020
MSCI Emerging Market Index	-23.94%	-23.77%	-14.24%	-18.18%	-2.65%	-1.04%	Wage Growth	3.39%	3/31/2020

  

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.79%	8.29%	8.17%	7.52%	13.14%	5.81%	3.59%
US Aggregate Bond Index	2.59%	3.10%	2.86%	3.26%	8.63%	4.78%	3.31%
US Bank Loan Index	5.28%	-9.27%	-8.83%	-7.19%	-5.11%	0.10%	1.00%
US High Yield Bond Index	5.69%	-11.61%	-11.52%	-9.31%	-6.26%	0.79%	2.03%

2005-2019																	YTD	Ann.	Vol.
EM Equity	REITs	EM Equity	Fixed Income	EM Equity	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Large Cap	Fixed Income	Large Cap	REITs		
34.5%	35.1%	39.8%	5.2%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	17.8%	1.8%	31.5%	3.1%	9.8%	22.2%		
Comdty.	EM Equity	Comdty.	Cash	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	Cash	REITs	EM Equity		
21.4%	32.6%	16.2%	1.8%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	0.5%	8.3%	22.1%		
DM Equity	DM Equity	DM Equity	Asset Alloc.	EM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Asset Alloc.	Small Cap	Comdty.		
14.0%	26.9%	11.6%	25.4%	32.5%	19.2%	3.4%	16.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	14.8%	7.9%	18.6%		
REITs	Small Cap	Asset Alloc.	High Yield	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	DM Equity	EM Equity	Small Cap		
12.2%	18.4%	7.1%	-26.9%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.5%	-4.1%	22.7%	-15.0%	7.8%	17.7%		
Asset Alloc.	Large Cap	Fixed Income	Small Cap	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	High Yield	DM Equity		
8.1%	15.8%	7.0%	-33.8%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	-19.6%	7.2%	17.3%		
Large Cap	Asset Alloc.	Large Cap	Comdty.	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	DM Equity	Asset Alloc.	Large Cap		
4.3%	15.3%	5.5%	-35.6%	23.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.3%	-22.7%	6.6%	14.0%		
Small Cap	High Yield	Cash	Large Cap	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	Comdty.	DM Equity	High Yield		
4.6%	13.7%	4.8%	-37.0%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	-23.3%	5.3%	10.9%		
High Yield	Cash	High Yield	REITs	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	REITs	Fixed Income	Asset Alloc.		
3.6%	4.8%	3.2%	-37.7%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	-23.4%	4.1%	10.0%		
Cash	Fixed Income	Small Cap	DM Equity	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	DM Equity	DM Equity	Comdty.	DM Equity	Comdty.	DM Equity	Cash	Fixed Income		
3.0%	4.3%	-1.6%	-43.1%	5.9%	6.5%	-13.3%	0.4%	-2.3%	-4.5%	-4.6%	4.5%	4.7%	-13.4%	7.7%	23.6%	1.3%	3.4%		
Fixed Income	Comdty.	REITs	EM Equity	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	Small Cap	Comdty.	Cash		
2.4%	2.1%	-15.7%	53.2%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-30.6%	-2.6%	1.0%		