Weekly Update
Bear Mauls Dow, Oil Slips
March 13, 2020

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The Economy

- The longest-ever bull market for U.S. equities—which lasted for more than 11 years—came to a halt during the week ending March 13. The downturn, marked by a 20% decline from the most recent high for most major U.S. equity indexes, intensified fears that the economic expansion could be on its last legs. Investors panicked as equities crumbled, oil prices tanked and U.S. government bond yields plummeted to record lows as the COVID-19 (coronavirus) outbreak that began in China in December 2019 was upgraded to a pandemic. U.S. equities surged Friday to close out a haywire week for financial markets.
- The oil-exporting alliance between Saudi Arabia and Russia collapsed after four years this week. Oil prices plummeted as countries around the globe battled for market share. West Texas Intermediate and Brent crude oil both had their worst days since the Gulf War in 1991.
- The Federal Reserve (Fed) announced that it will inject $1.5 trillion into the U.S. Treasury market in an effort to calm financial markets amid the COVID-19 meltdown.
- The average cost of living in the U.S. increased by 0.1% in February, according to the Department of Labor's consumer-price index. Core consumer prices (which exclude food and energy) expanded by 0.2% during the month, driven by increases in the prices of clothing, used cars and medical care.
- Producer prices posted their largest drop in five years, sinking by 0.6% in February, as measured by the Department of Labor's producer-price index. Declines in the cost of gasoline and services pulled down the reading. The index tracks the average change in prices that producers receive for goods and services.
- Total import prices deteriorated by 0.5% in February. A decline in the price of imported petroleum was a notable contributor, falling by 7.6%. Import price deflation and the COVID-19 pandemic are expected to subdue inflation in coming months. Meanwhile, export prices plummeted by 1.1%, marking their largest monthly drop since 2015.
- The University of Michigan's Consumer Sentiment Index tumbled from 100.9 to 95.9 in March as an onslaught of bad news surrounding COVID-19 pushed the U.S. into crisis mode. Large parts of the economy have shut down to try to limit the spread of the virus.
- Initial jobless claims for the week ending March 7 fell by 4,000 to 211,000. The more stable four-week moving average moved higher by 1,250.
- Mortgage-purchase applications increased by 6.0% for the week ending March 6, while refinancing applications surged by an unprecedented 79.0%. The average interest rate on a 30-year fixed-income mortgage edged slightly higher to 3.36%.
- Germany is prepared to abandon its long-standing balanced-budget policy to help finance measures to contain the economic fallout. The European Central Bank boosted asset purchases and called for "ambitious and coordinated" action by policy makers.
- China said the peak of the current outbreak in the country is "generally over," but cases continued to rise globally.

U.S. Economic Calendar

- March 17: Job Openings Losses and Turnovers (JOLTS), Industrial Production, Retail Sales
- March 18: Mortgage Applications, Housing Starts

Stocks

- Global equity markets were negative this week; emerging markets outperformed developed markets.
- U.S. equities were negative. Utilities and energy lagged, while healthcare and information technology performed best. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.98%.
- Global bond markets were negative this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of March 13, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-16.8%	-24.2%	-15.2%	428.5
MSCI EAFE ($)	-17.7%	-26.8%	-20.4%	1491.7
MSCI Emerging Mkts ($)	-12.7%	-20.8%	-15.7%	883.1
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-13.2%	-21.3%	-12.7%	22455.1
S&P 500 ($)	-14.5%	-21.3%	-9.5%	2541.5
NASDAQ ($)	-11.4%	-15.3%	-0.4%	7601.9
S&P/ TSX Composite (C$)	-17.8%	-22.1%	-17.3%	13298.2
U.K. & European Equities				
FTSE All-Share (£)	-16.8%	-28.6%	-24.0%	2994.4
MSCI Europe ex UK (€)	-19.3%	-28.0%	-20.7%	1035.5
Asian Equities				
Topix (¥)	-14.3%	-26.7%	-20.6%	1261.7
Hong Kong Hang Seng ($)	-8.1%	-14.7%	-16.7%	24032.9
MSCI Asia Pac. Ex-Japan ($)	-11.1%	-17.3%	-12.3%	457.1
Latin American Equities				
MSCI EMF Latin America ($)	-26.4%	-42.3%	-40.3%	1683.3
Mexican Bolsa (peso)	-7.6%	-12.2%	-8.5%	38241.3
Brazilian Bovespa (real)	-18.2%	-30.6%	-18.7%	80209.8
Commodities ($)				
West Texas Intermediate Spot	-23.1%	-48.0%	-45.9%	31.7
Gold Spot Price	-8.6%	0.0%	17.5%	1522.3
Global Bond Indexes ($)				
Bloomberg Barclays Global Aggregate ($)	-2.8%	1.6%	7.2%	519.6
JPMorgan Emerging Mkt Bond	-9.9%	-7.8%	0.1%	813.4
10-Year Yield Change (basis points*)				
US Treasury	22	-94	-165	0.98%
UK Gilt	18	-41	-82	0.41%
German Bund	16	-36	-63	-0.55%
Japan Govt Bond	18	7	10	0.05%
Canada Govt Bond	6	-92	-98	0.78%
Currency Returns**				
US$ per euro	-1.9%	-1.3%	-2.1%	1.107
Yen per US$	2.9%	-0.2%	-3.0%	108.40
US$ per £	-5.6%	-7.1%	-7.0%	1.231
C$ per US$	3.5%	6.9%	4.1%	1.389

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual fund performance.

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