



QUARTERLY MARKET COMMENT First Quarter 2020

Should we have seen this coming? 2019 started with a rebound from the uncertainty experienced at the end of 2018 and ended the year on a positive note. By all indications, the economy in the U.S. and globally were chugging along in a low growth, low inflation, low unemployment environment. Bear market on the horizon? Yes, but no sense it was on our doorstep. If there were signs or warnings of the magnitude of this event, no one was taking it seriously enough and we clearly were not prepared for what we are now experiencing. Our collective health has been put at risk and our social behaviors have been upended. The markets around the world went into free fall not knowing the global economic impact of this health crisis as we turned the economy off full stop by choice. This movement, created by a shock, was swifter than any previous market declines as this “bear market” happened in record time – 16 days. As gut-wrenching as those 16 days were, we are not sure if we have reached a bottom as of this writing. All areas of the market have been impacted, some more than others. The only two areas that experienced positive returns for 1Q 2020 were gold and intermediate to long-term U.S. Treasuries. The spike in volatility, risk-off behavior, along with policy actions, created such a dislocation in the fixed income markets that even U.S. T-Bills and other high quality short-term fixed securities experienced yields in negative territory. Your reports this quarter are not pretty, but do remember these are paper losses.

Having been through many volatile markets over my 38 year career in financial services, I am confident that the markets will recover. 2020 has brought new phrases to our world: social distancing, flatten the curve, and we’re all in this together. The experiences of the Great Recession (2007 to 2009) taught us that a swift response from the Federal Reserve and our elected officials is paramount. Their actions have helped to stabilize the markets. As of this writing, the Federal Reserve is introducing more assistance to the fixed income markets to safeguard the financial system. Things seem to be changing by the minute and yet, we are in limbo - what a paradox. As mentioned in a previous communication, we know there is an end-game to this health event, we just don’t know when and there are no short-cuts. From an economic perspective, we have experienced a **Fall**, we are currently in a **Stall**, and at some point, we may experience a **Surge**. In the meantime, we suggest to tune out the noise, focus on your long-term goals, practice what our health professionals are asking of us, and let the benefits of diversification play out. We have been making some portfolio adjustments where warranted and will continue to do so.

However temporary this world event may be, it will have a long lasting effect on how we live our lives, conduct our businesses and value our relationships. It continues to be a collective surreal experience – a time of uncertainty and upheaval. If anything, we may come out of this with better health or hygiene habits and we may also lose someone close to us. Please know that we are here for you as your thinking partner, your resource, and your guide. We welcome you to reach out to talk with us and we want you to know that we truly value you as our client. We are grateful for the trust you’ve placed in us and in helping guide you through your financial life.

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Asset Index Category	1Q 2020 %	Calendar 2019 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	-20.00	28.88	4.56	8.25
S&P 400 Index-Mid-size Companies	-30.03	24.05	-1.08	6.21
Russell 2000 Index-Sm Companies	-30.89	23.72	-1.64	5.44
Natural Resource Funds	-33.28	14.95	-6.28	-2.29
Gold	4.83	18.87	6.18	2.99
US Real Estate Funds	-26.35	27.28	-5.97	7.08
Global Real Estate Funds	-26.19	23.45	-0.46	4.54
MSCI EAFE-Developed International	-23.43	18.44	-3.35	-0.16
MSCI EM Index-Emerging Markets	-23.87	15.42	-2.73	-1.73
Barclays U.S. Aggregate Bond Index	3.15	8.72	3.36	3.88
Long U.S. Government Bond Index	19.89	11.47	4.05	5.17
Emerging Market Bond Index	-15.94	13.07	0.38	1.93

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1621 W. First Ave., Grandview Hts., OH 43212 614-538-1600

www.alexanderfinancialplanning.com