Weekly Market Review

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The Week Ending March 14, 2020

The collapse in oil prices sent the market on a wild ride last week and brought the record-setting 11-year bull market to an end. In one week (actually two days), we saw the most significant percentage decline since 1987, followed by the largest gain since 2008 in the stock market. The 10-year U.S. Treasury Bond continued to trade under 1%, gold had its worse week in eight years, and central banks around the globe increased stimulus in an attempt to provide markets some relief.

Not even a month ago, the S&P 500 Index was trading at an all-time high, and now it has entered a bear market, defined by a decline of at least 20% from the most recent high. These are unprecedented times as this was the fastest time on record that the S&P 500 went from a high to a bear market. It is important to remember, just because we are in a bear market does not mean this is a repeat of the 2008 Financial Crisis. The current environment is more of an event-driven bear market; in this case, fears of coronavirus and the oil shock. While there is no doubt that this is going to create hardships in specific industries, the consumer and economic data were very strong before we entered this environment and will hopefully provide support to come out of it. While we should expect a slowdown in GDP growth, all stops will be pulled outside of fiscal and monetary policy to combat the weakness.

Fiscal policy was in full force to end the week as bipartisan support for a coronavirus support bill and President Trump declaring a national emergency led to the S&P 500 posting its best day since 2008. The coronavirus legislation is geared towards taking pressure off families impacted by the virus and lending financial support. At the same time, the declaration of a national emergency frees up federal funds to allow for relief efforts to combat the spread of the virus.

Global central banks announced additional stimulus measures last week, and while writing this commentary Sunday evening, the Federal Reserve announced a second emergency rate cut, this time taking us back to 0% short-term interest rates. The Fed also announced it would purchase $700 billion of treasury bonds and mortgage-backed securities to "prevent market disruptions" from the coronavirus pandemic. This marks the first official quantitative easing program since 2014. As of Sunday night, the stock market is not taking the news well, and volatility looks to be the theme to start the week. It is important to remember this is the time to trust your asset allocation and know your portfolio is prepared to handle these types of events, no matter how stressful it is in the moment.

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