DVI
DAVID VAUGHAN INVESTMENTS

Capital Markets Commentary

03/31/2020

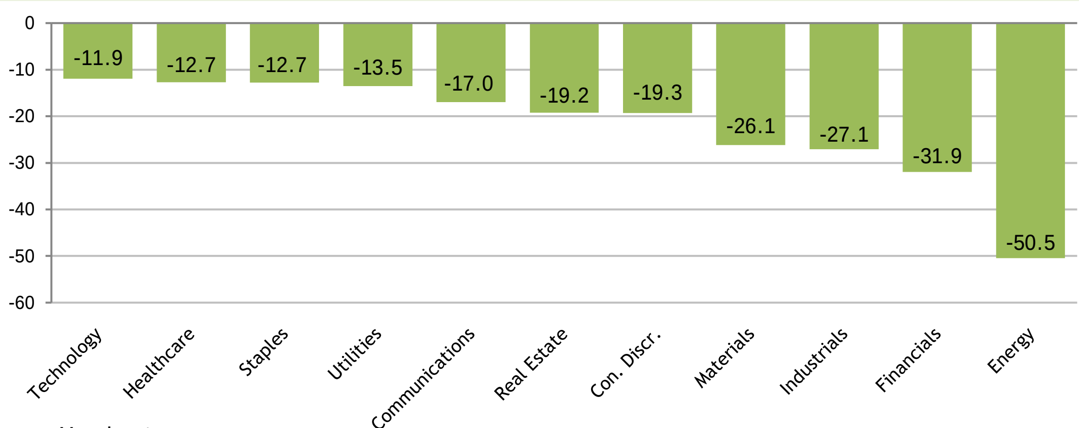
Stocks declined sharply in the first quarter, slipping into a bear market that ended the bull market that began in 2009. Equity indices surged to all-time highs in February before the coronavirus pandemic largely shut down the global economy. Market volatility spiked to rarely seen levels in March. The S&P 500 posted its worst two days since 1987, down 12% on March 16th and 9.5% on March 12th, but it also posted two days in March of 9%+ gains. For the quarter, the S&P 500 lost 19.6%.

All sectors of the market posted negative returns for the quarter. Technology stocks held up best with many companies benefiting from the shift to a work-from-home economy. Energy stocks performed worst as oil prices collapsed following a dispute between Saudi Arabia and Russia that saw oil production increase in each country.

Small Cap and International stocks again lagged the S&P 500 in the first quarter. Smaller companies were particularly under pressure as the Russell 2000 Small Cap Index dropped 30.6% for the quarter.

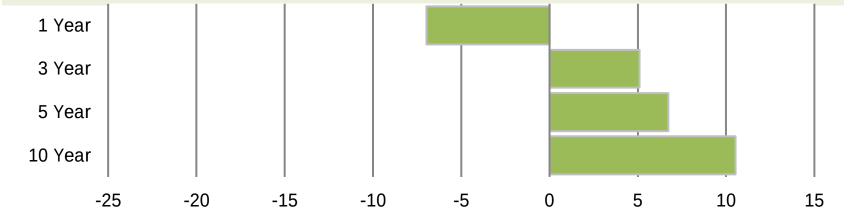
Treasury yields plummeted during the first quarter as the Fed slashed short-term rates to zero and investors looked for the safety of treasury securities. The 2-year Treasury rate fell from 1.57% to 0.20% during the quarter while the 10-year Treasury rate dropped from 1.92% to 0.68%.

S&P 500 Index: Sector Returns Percent Year-to-Date

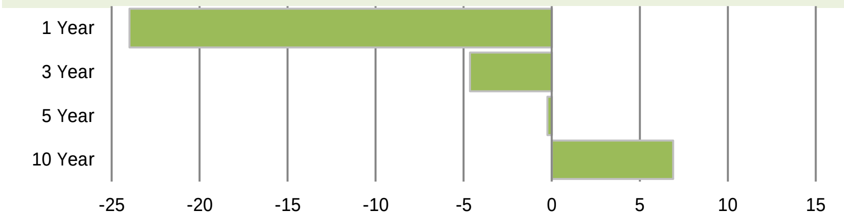


Source: Morningstar

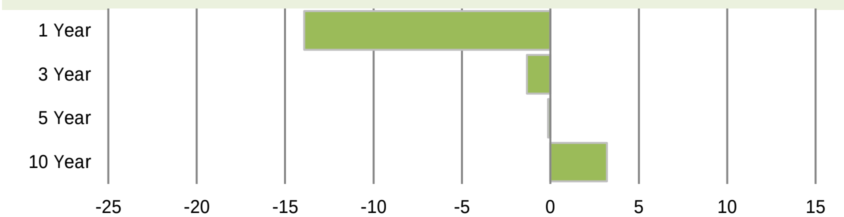
S&P 500 **Average Annual Percent Total Return**



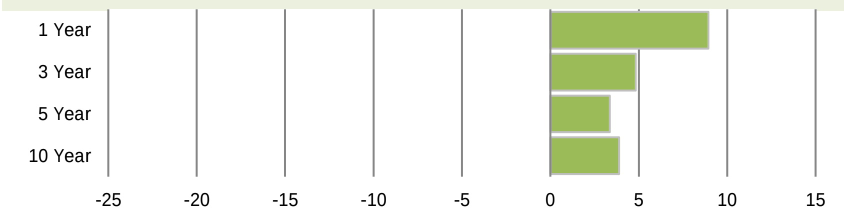
Russell 2000 Small Cap Index



MSCI EAFE International Index



Barclays Capital US Aggregate Bond Index



Barclays US Treasury Bill 1-3 Month