

Keeping focused on your long-term goals

Market Commentary | Week ending April 3, 2020



Commentary provided by John Packs, Senior Investment Officer, AIG Retirement Services

Highlights

- The first quarter ended Tuesday with all equity indexes showing major declines. Treasury yields hit historic lows during the quarter, as investors sought safety in government bonds. For the second week in a row, initial jobless claims set a record high—signaling the severity of the current economic shutdown. Amid the turmoil, monetary stimulus measures have been effective at keeping markets functioning properly.
- This week featured a mix of up and down days in the market, reflecting continued volatility and uncertainty. Fiscal stimulus measures are beginning to be disbursed and markets will be observing and reacting to their impacts. A fourth fiscal relief and stimulus measure is under discussion.
- Stay focused on long-term goals. As investors receive their quarter-end statements, they will see how the market downturn impacted their portfolio. The numbers may be disconcerting, but it's important to consult with a financial professional and view market changes in the context of long-term goals.

A Difficult Quarter Ends

The books closed on a historic first quarter Tuesday. Despite setting a record high in February, the S&P 500 delivered its worst quarterly performance since the 2008 financial crisis, with most of the losses across equity markets occurring during March. Treasury yields reached new lows during the quarter because of the flight to safety in government bonds.

- In addition to the financial market declines, we're beginning to get more insight into the economic effects of the health crisis. On Thursday, the initial jobless claims report showed 6.6 million new claims, bringing new jobless claims to almost 10 million in the last two weeks. Friday's monthly unemployment report showed 701,000 U.S. job losses in March. These eye-popping statistics foreshadow more challenging economic data to come. The decisions by Macy's and Kohl's to furlough most employees are emblematic of struggles throughout the discretionary retail sector.
- Oil also registered its worst quarter ever, with both U.S. and international benchmark prices dropping more than 65%. Oil prices rose at the end of the week, based on hopes of a resolution to the price war between Russia and Saudi Arabia. President Trump intervened with leaders of both nations this week and also spoke with U.S. oil executives. While it may be possible to adjust oil supply, demand for oil will remain subdued until the global health crisis subsides, and the global economy begins to regain its footing.
- On the bright side, the U.S. Federal Reserve deployed substantial measures throughout March to keep markets liquid and functioning smoothly. The measures appear to have relieved strains that were developing in certain segments of the fixed-income market.

Keeping focused on your long-term goals

Significant Market Uncertainty and Volatility Persist

Markets fluctuated up and down this week, reflecting continued uncertainty and volatility as we start the second quarter. Federal fiscal stimulus is beginning to be disbursed, and further relief measures are likely to come.

- Economists are expecting a sharp decline in economic activity for the second quarter as President Trump extended social distancing measures across the United States until at least the end of April.
- The federal government's \$350 billion loan program to help small businesses and keep workers employed is becoming operational. Markets will be watching to see the impact on employment numbers in coming weeks, and also observing whether consumers and businesses can continue making payments on rent, mortgages and other loans.
- Both President Trump and House Speaker Pelosi spoke this week about incorporating infrastructure spending into a potential fourth economic relief and stimulus bill. Support for state and local governments may also be on the table as public health costs escalate and the economic stoppage reduces tax revenue at all levels of government.

Focusing on Long-Term Goals Remains Important

Quarter-end statements are showing investors how the market downturn has affected their portfolios. The numbers may be disconcerting, but it's important to consult with a financial professional and stay focused on long-term goals.

- While the markets went through a period of broad-based selling in March, certain asset classes and sectors performed better than others over the first quarter. Bonds delivered better returns than stocks, growth stocks performed better than value stocks, large cap stocks held up better than small caps, and the U.S. market fared better than broad-based international indices.
- Having a diversified portfolio does not eliminate downside risk, but it can help reduce the impact of movements from any one asset class or sector.¹ A portfolio that has stocks, bonds, and cash can be allocated to help meet a variety of risk profiles.
- Investors don't have to make decisions alone. This is the time to talk to financial professionals about how best to stay on track to achieve long-term goals.

¹ There is no guarantee that diversification will provide gains or protect against loss.

Your Future is Calling. Meet It with Confidence.

CLICK aig.com/RetirementServices **CALL** 1-800-426-3753 **VISIT** your financial advisor

This commentary is being provided for general informational purposes only. The information does not represent investment advice or a recommendation and/or solicitation of any financial transaction.

Securities and investment advisory services offered through VALIC Financial Advisors, Inc. (VFA), member FINRA, SIPC and an SEC-registered investment adviser.

Annuities are issued by The Variable Annuity Life Insurance Company (VALIC), Houston, TX. Variable annuities are distributed by its affiliate, AIG Capital Services, Inc. (ACS), member FINRA.

AIG Retirement Services represents AIG member companies — The Variable Annuity Life Insurance Company (VALIC) and its subsidiaries, VALIC Financial Advisors, Inc. (VFA) and VALIC Retirement Services Company (VRSCO). All are members of American International Group, Inc. (AIG).

