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Market Month: April 2020

The Markets (as of market close April 30, 2020)

April began on a sour note for stocks as each of the indexes listed here lost value. Economic reports reflected the negative impact of the COVID-19 pandemic. There were more than 700,000 jobs lost in March while total claims for unemployment insurance benefits soared to nearly 18 million. A cut in production didn't prevent crude oil prices from hitting negative numbers as demand waned and storage neared full capacity. Purchasing managers saw manufacturing hit lows not seen in more than ten years.

The federal government continued to try easing the economic strain on individuals and businesses. The Paycheck Protection Program and Health Care Enhancement Act replenished the Paycheck Protection Program, provided funding for additional small business loans, offered financial support to hospitals, and increased the availability for more virus testing. The Federal Reserve added trillions of dollars in funds to its lending programs for states, cities, and midsize businesses. But the economic strain prompted a few states to begin the process of easing lockdown restrictions and reopening a range of businesses, in lieu of stay-at-home restrictions.

Despite several periods of volatility, stocks enjoyed their best month since 1987. A spike during the week leading up to Easter pushed stocks ahead to stay for the month. Of the benchmark indexes listed here, only the Global Dow did not reach double-digit gains for the month. The Nasdaq climbed more than 15.0% and is less than 1.0% from its year-end value. The large caps of both the Dow (11.08%) and the S&P 500 (12.68%) posted solid gains as did the small caps of the Russell 2000, which jumped nearly 14.0%. While stock values rose in April, bond yields fell as prices climbed. The yield on 10-year Treasuries dropped 7 basis points from March and is close to 130 basis points below its 2019 value.

By the close of trading on April 30, the price of crude oil (CL=F) sank to \$19.04 per barrel, well below the March 31 price of \$20.35 per barrel. Reeling oil values sent prices at the pump spiraling downward. The national average retail regular gasoline price was \$1.773 per gallon on April 27, down from the March 30 selling price of \$2.005 and \$1.114 less than a year ago. The price of gold rose by the end of April, climbing to \$1,691.00 by close of business on the 30th, up from its \$1,591.20 price at the end of March.

Stock Market Indexes

Market/Index	2019 Close	Prior Month	As of April 30	Month Change	YTD Change
DJIA	28,538.44	21,917.16	24,345.72	11.08%	-14.69%
Nasdaq	8,972.60	7,700.10	8,889.55	15.45%	-0.93%
S&P 500	3,230.78	2,584.59	2,912.43	12.68%	-9.85%
Russell 2000	1,668.47	1,153.10	1,310.66	13.66%	-21.45%
Global Dow	3,251.24	2,469.53	2,661.71	7.81%	-18.13%
Fed. Funds	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.69%	0.62%	-7 bps	-129 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not



Key Dates/Data Releases

5/1: *Markit PMI
Manufacturing Index, ISM
Manufacturing Index*

5/5: *ISM Non-Manufacturing
Index, international trade in
goods and services*

5/8: *Employment situation*

5/12: *Consumer Price Index,
Treasury budget*

5/13: *Producer Price Index*

5/14: *Import and export
prices*

5/15: *Retail sales, industrial
production, JOLTS*

5/19: *Housing starts*

5/21: *Existing home sales*

5/26: *New home sales*

5/28: *Durable goods orders,
GDP*

5/29: *Personal income and
outlays, international trade
in goods*

be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** The jobs report for March was a stark reflection of the impact of COVID-19. After gaining over 270,000 new jobs in February, March saw employment fall by 701,000. The unemployment rate surged from 3.5% in February to 4.4% in March (the largest over-the-month increase in the rate since January 1975). The number of unemployed persons rose by 1.4 million to 7.1 million in March. Employment in leisure and hospitality fell by 459,000, mainly in food services and drinking places. Notable declines also occurred in health care and social assistance, professional and business services, retail trade, and construction. The labor force participation rate, at 62.7, decreased by 0.7 percentage point over the month. The employment-population ratio, at 60.0%, dropped by 1.1 percentage points over the month. In February, average hourly earnings for all employees rose by \$0.11 to \$28.62. Average hourly earnings increased by 3.1% over the last 12 months ended in March. The average workweek fell by 0.2 hour to 34.2 hours in March.
- **FOMC/interest rates:** Following the conclusion of its latest meeting on April 29, the Federal Open Market Committee decided to maintain the target range for the federal funds rate at 0.00%-0.25%. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events. To support the flow of credit to households and businesses, the Federal Reserve will continue to purchase Treasury securities and agency residential and commercial mortgage-backed securities. In any case, "the Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time."
- **GDP/budget:** The response to COVID-19 dramatically slowed the economy in the first quarter. According to the initial (advance) report, the gross domestic product decreased at an annual rate of 4.8%. The GDP advanced at an annual rate of 2.1% in the fourth quarter. Personal consumption expenditures (consumer spending) decreased by 7.6% (compared to 1.8% growth in the fourth quarter). Exports fell 8.7% while imports plummeted 15.3%. Consumer prices rose 1.3% (1.4% in the fourth quarter); personal income increased \$95.2 billion in the first quarter, compared with an increase of \$144.1 billion in the fourth quarter; and after-tax (disposable) personal income increased \$76.7 billion, or 1.9%, in the first quarter, compared with an increase of \$123.7 billion, or 3.0%, in the fourth quarter.
- The government deficit in March was \$119 billion, down from February's deficit of \$235 billion. In March, the largest expenditures were for Social Security (\$91 billion) and national defense (\$62 billion). On the income side of the ledger, social insurance and retirement accounted for \$108 billion and individual income taxes totaled \$98 billion. Through the first six months of the 2020 fiscal year, the deficit sits at \$744 billion, 7.7% greater than the deficit over the same period last fiscal year (\$691 billion). Compared to the same six-month period last fiscal year, government receipts rose from \$1.5 trillion to \$1.6 trillion while spending rose from \$2.2 trillion to \$2.3 trillion.
- **Inflation/consumer spending:** According to the Personal Income and Outlays report for March, both personal income and disposable (after-tax) income decreased 2.0%, respectively. Consumer spending fell \$1,127.3 billion, or 7.5%. Price inflation remained low, however, as consumer prices dropped 0.3%. Over the last 12 months, consumer prices are up only 1.3%.
- The Consumer Price Index fell 0.4% in March, the largest monthly decline since January 2015. Over the last 12 months, the all items index increased 1.5%, a notably smaller increase than the 2.3% increase for the period ended in February. A sharp (10.5%) decline in gasoline prices was a major cause of the monthly decrease, with decreases in airline fares, lodging away from home, and apparel also contributing.
- Prices producers receive for goods and services fell 0.2% in March after advancing 0.6% in February. The index has increased 0.7% since last March. Producer prices less foods, energy, and trade services declined 0.2% in March, the largest decrease since falling 0.2% in October 2015. Since March 2019, prices less foods, energy, and trade services moved up 1.0%. In March, producer prices for goods fell 1.0% in March, the largest decline since moving down 1.1% in September 2015. Over 80% of the February decrease in goods prices is tied to a 16.8% drop in gasoline prices.
- **Housing:** After jumping 6.5% in February, existing home sales plunged 8.5% in March. Year over year, existing home sales are up 0.8% (7.2% for the 12 months ended in February). The median sales price for existing homes was \$280,600 in March, compared to \$270,100 in February. Existing home prices were up 8.0% from March 2019. Total housing inventory at the end of March represented a 3.4-month supply at the current sales price. Sales of new, single-family homes followed a February slide by dropping 15.4% in March. Sales are 9.5% below the March 2019 estimate. The median sales price of new houses sold in March was \$321,400 (\$345,900 in February). The average sales price was \$375,300 in March (\$403,800 in February). Available inventory, at a 6.4-month supply, was higher than February's 5.0-month supply.



- **Manufacturing:** After increasing in February, industrial production fell 5.4% in March, as the COVID-19 pandemic led many factories to suspend operations late in the month. Total industrial production was 5.5% lower than a year earlier. Manufacturing output dropped 6.3% last month with most major industries posting decreases, led by motor vehicles and parts, which plummeted 28.0%. Durable goods orders were negatively impacted by COVID-19 in March. New orders for durable goods decreased 14.4% following a 1.1% increase in February. The March decrease followed three consecutive monthly increases. For the year, new orders for durable goods are down 5.2%. While most manufacturers of durable goods saw orders fall, hardest hit were nondefense aircraft and parts (-295.7%) and transportation equipment (-41.0%). New orders for capital goods (manufactured assets used by businesses to produce consumer goods) fell 26.8% in March, driven primarily by a decrease in new orders for nondefense capital goods, which receded 33.4%.
- **Imports and exports:** Import prices fell 2.3% in March after inching down 0.5% in February. The March decrease in import prices was the largest decline since import prices fell 3.2% in January 2015. Since March 2019, import prices have fallen 4.1%, the greatest year-over-year fall since import prices dropped 4.7% for the 12 months ended in June 2016. Fuel imports plunged 26.8% in March, the largest monthly decline since prices plummeted 27.8% in November 2008. Prices for exports dropped 1.6% last month, following a 1.1% decline in February. This is the largest monthly decrease in export prices since January 2015. Prices for exports decreased 3.6% on a 12-month basis from March 2019.
- The international trade in goods deficit was \$64.2 billion in March, up \$4.3 billion from \$59.9 billion in February. Exports of goods for March were \$127.6 billion, \$9.1 billion less than February exports. Imports of goods for March were \$191.9 billion, \$4.8 billion less than February imports.
- The latest information on international trade in goods and services is for February and shows that the goods and services trade deficit was \$39.9 billion, down from the \$45.3 billion deficit the previous month. February exports were \$207.5 billion, \$0.8 billion less than January exports. February imports were \$247.5 billion, \$6.3 billion lower than January imports.
- **International markets:** Some countries began easing shutdown restrictions as COVID-19 infection levels started to level off. Germany, Italy, and Australia are a few of the nations that have begun seeing a slight reduction in the spread of the pandemic. Nevertheless, global economies are facing severe downturns. April's purchasing managers' indexes for the vast majority of reporting countries have proffered similar results: deepening industrial contraction. Purchasing managers' indexes for France, and Germany and other eurozone nations recorded historic lows last month and are not expected to reverse course in May. In Asia, China's economy contracted 6.8% on the year and -9.8% for the first quarter. The European Commission's economic sentiment index (ESI) was down a record 26.8 points in April, reflecting a broad-based worsening of short- and long-term economic projections.
- **Consumer confidence:** The Conference Board Consumer Confidence Index® deteriorated further in April following a sharp decline in March. The index fell from 120.0 in March to 86.9 in April. The Present Situation Index — based on consumers' assessment of current business and labor market conditions — plunged 90.4 points, falling to 76.4. However, the Expectations Index, which is based on consumers' short-term outlook for income, business, and labor market conditions, improved from 86.8 in March to 93.8 in April.

Eye on the Month Ahead

While April was a solid month for stocks, the economy has slowed dramatically. As more data is revealed, the news on the economic front is expected to continue to show the negative impact of COVID-19. Jobs, manufacturing, and government spending are sectors expected to be hit hardest.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common



stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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