

Monthly Market Commentary

April 2020 Recap

U.S. equities staged a torrid relief rally in April, spurred by additional fiscal and monetary stimulus as well as indications of a possible peak in coronavirus infections. The Federal government bolstered positive sentiment, with President Trump releasing state guidelines on a phased reopening after signing another aid package worth \$484 billion. Meanwhile, investors largely dismissed downbeat data updates that conveyed the economic repercussions of the COVID-19 lockdown. The S&P 500 jumped 12.7% in April for its best monthly performance since 1987. The Dow advanced 11.1%, while the tech-heavy NASDAQ surged 15.5%. All three major averages re-entered bull market territory, climbing more than 20% from their March 23rd lows.

A perceived “risk on” tone was felt for the majority of the month as countries considered lifting lockdown restrictions amid speculation that the COVID-19 outbreak may have peaked. Germany and Denmark were among the European counties to ease restrictions in late April, while Italy and Spain were expected to follow suit in early May. In the United States, President Trump issued Federal guidelines for states to have a “downward trajectory” in COVID-19 cases before starting a three-phase reopening process. Furthermore, investors toggled with idea of a “new normal” amid positive developments on the COVID-19 front. Biotech firm Gilead Sciences (GILD \$84.00) bolstered sentiment after releasing encouraging results on an antiviral drug to treat patients suffering from the virus. Optimism of a viable treatment helped to push the CBOE Volatility Index (VIX), Wall Street’s so-called “fear gauge,” down more than 36% after it reached a record high in the prior month.

Equity gains were broad-based, with all 11 S&P 500 sectors finishing the month higher. The Energy group rallied 29.7% despite crude oil prices briefly trading in negative territory for the first time. Concerns that global oil storage was reaching capacity overshadowed a production cut of 12 million barrels per day by OPEC and Russia. WTI crude ultimately rebounded to end April just 8% lower. The Consumer Discretionary sector also outperformed, jumping more than 20% amid hopes of easing quarantine measures. The Technology and Communications Services sectors each notched double-digit gains in April, buoyed by generally positive first-quarter profit tallies and an 18% rally for the oft-cited FAANG group. First-quarter earnings results garnered particular attention in April, as investors gauged how U.S. companies were dealing the pandemic. With roughly half of S&P 500 constituents reporting, earnings growth for the index was on pace to contract roughly 9%, according to Bloomberg. Financial institutions had mixed quarterly

results, with several Wall Street banks reporting a more than 40% drop in profits. This was largely attributed to a sizeable buildup in reserves for potential loan defaults.

Aggressive monetary and fiscal policy from around the world was a meaningful tailwind in April, with more than \$8 trillion in stimulus measures pledged globally since March. Notably, the Federal Reserve unveiled a \$2.3 trillion package to support local government and small/mid-sized businesses, adding to historic measures already in place. The Fed also expanded the scope of its “Main Street” lending program by broadening the eligibility to larger companies. At the conclusion of the April FOMC meeting, policymakers opted to keep the Fed-funds rate at the near zero-bound range, while promising to utilize its “full range of tools” to continue to support the economy.

The unprecedented provisions seemed to be warranted as an influx of data reports painted a grim picture of the U.S. economy. The Labor Department’s monthly jobs report showed March non-farm payrolls fell by 701,000, the first contraction in nearly a decade. Meanwhile, weekly initial jobless claims revealed that more than 20 million Americans filed for unemployment in April, adding to the 10 million in March. Consumer confidence also waned, with the Conference Board’s gauge suffering a historic drop in April. Readings on retail sales and personal spending seemed to confirm the souring mood, with each plunging the most on record. Meanwhile, the advance reading of first-quarter GDP served as a stark reminder that the U.S. seemed on course for an official recession (defined as back-to-back quarterly declines in economic output). The release revealed the U.S. economy shrank by 4.8% during the January-March period, marking the largest contraction since 2008. Treasuries advanced modestly amid the data influx, with the yield on the 10-year note slipping three basis points in April to finish at 0.64%.

Disclaimers

Pricing as of market close on April 30, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Ticker Price

GILD \$84.00

Index Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Chicago Board Options Exchange (CBOE) Volatility Index (VIX) reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

U.S. Markets		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	YTD*	
S&P 500	2912.43	12.68	12.82	-12.35	-9.30	
Dow Jones Industrial Average	24345.72	11.08	11.22	-13.62	-14.07	
Nasdaq Composite	8889.55	15.45	15.49	-10.03	-0.57	
S&P 400 Mid Cap	1646.36	14.06	14.18	-20.25	-19.73	
S&P 600 Small Cap	771.11	12.60	12.70	-22.40	-24.09	

U.S. Sector Performance		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	YTD*	
Communications Services	170.66	13.51	13.82	-12.14	-5.47	
Consumer Discretionary	955.81	20.51	20.55	-13.24	-2.71	
Consumer Staples	597.56	6.64	6.86	-5.39	-6.76	
Energy	289.65	29.66	29.78	-34.79	-35.70	
Financials	378.34	9.34	9.58	-21.32	-25.43	
Health Care	1162.03	12.50	12.65	-3.82	-1.63	
Industrials	542.35	8.66	8.73	-19.18	-20.68	
Information Technology	1608.60	13.73	13.80	-8.64	0.22	
Materials	326.55	15.29	15.31	-14.06	-14.83	
Real Estate	210.61	9.33	9.47	-14.95	-11.56	
Utilities	290.71	3.17	3.22	-10.01	-10.72	

International Markets		Price Return (%)		Total Return (%)		
Index	Close	April	April	March	YTD*	
U.K. FTSE 100	5901.21	4.04	4.28	-13.45	-20.80	
Germany DAX	10861.64	9.32	9.32	-16.44	-18.02	
France CAC 40	4572.18	4.00	4.07	-16.99	-23.15	
Spain IBEX 35	6922.30	2.02	2.47	-22.09	-26.84	
Italy FTSE MIB	17690.49	3.75	3.82	-22.43	-24.39	
Greece ATHEX	628.25	12.53	12.53	-22.49	-31.09	
MSCI Emerging Market	924.94	9.00	9.18	-15.38	-16.55	
Shanghai Composite	2860.08	3.99	4.00	-4.51	-6.22	
Japan Nikkei 225	20193.69	6.75	6.75	-9.73	-13.81	
Hong Kong Hang Seng	24643.59	4.41	4.43	-9.53	-12.40	
Brazil Bovespa	80505.90	10.25	10.25	-29.90	-30.39	
Russia Micex	2650.56	5.65	5.65	-9.90	-12.71	
India Sensex	33717.62	14.42	14.42	-22.85	-18.02	

Treasuries			Historical Yields		
Maturity	April Ask Yield	March	February	January	December
2-Year	0.20	0.25	0.91	1.31	1.57
5-Year	0.36	0.38	0.94	1.31	1.69
10-Year	0.64	0.67	1.15	1.51	1.92
30-Year	1.28	1.32	1.68	2.00	2.39

Municipal Bonds		Price Return (%)			
Maturity	Close	April	March	February	YTD*
S&P Municipal Bond Index	257.51	-1.18	-3.34	1.21	-1.75
S&P Muni Bond Long Intermediate	269.23	-1.02	-3.25	1.11	-1.43
S&P Muni Bond Intermediate	256.54	-0.80	-3.00	0.97	-1.26
S&P Muni Bond Short	176.09	0.27	-0.93	0.26	0.10
S&P Muni Bond Investment Grade	255.25	-1.10	-2.94	1.16	-1.34
S&P Muni Bond High Yield	293.29	-2.31	-9.11	1.90	-7.73
S&P Muni Bond General Obligation	250.47	-0.74	-2.48	1.13	-0.53

Commodities			Price Return (%)		
Front Month Futures	Close	April	March	February	YTD*
CRB Index	117.20	-3.77	-23.62	-6.38	-36.92
Oil/bbl	18.84	-8.01	-54.24	-13.19	-69.15
Natural Gas	1.95	18.84	-2.61	-8.53	-10.96
Gold	1694.20	7.00	1.07	-1.02	11.23
Silver	14.90	5.24	-13.61	-9.02	-16.87
Copper	235.40	5.66	-12.49	1.15	-15.84
Nickel	12138.00	6.07	-6.21	-4.58	-13.10

Foreign Exchange			Price Return (%)		
Currency	Close	April	March	February	YTD*
Dollar Index	99.02	-0.03	0.93	0.76	2.73
Euro/USD	1.10	-0.69	0.05	-0.60	-2.30
USD/Yen	107.18	-0.33	-0.32	-0.42	-1.32
GBPound/USD	1.26	1.40	-3.14	-2.90	-5.00
USD/CAD	1.39	-0.83	4.89	1.28	7.35
USD/Krona	9.76	-1.49	3.13	-0.21	4.20
USD/Swiss Franc	0.97	0.44	-0.39	0.16	-0.13

Source: Bloomberg

*All prices as of the close April 30, 2020

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