Economic and Capital Markets Commentary

China Sneezes, and The World Catches a Cold…

For our economic commentary this quarter, we are sharing a timeline of the extraordinary events of the past few weeks and months:

First Quarter 2020

- December 2019 – The government in Wuhan, China, confirmed that health authorities were treating dozens of cases of pneumonia of an unknown origin.

- January 2020 (Early) – Chinese authorities confirmed that they identified the virus as a novel coronavirus, initially named 2019-nCoV by the World Health Organization (WHO). China reported the first deaths due to the virus.

- January 2020 (Late) – China announced the virus could be transmitted via human to human contact. The first cases were reported outside China, including in the U.S. Initially, China suspended air and rail traffic to and from Wuhan, and then put the city and province on complete lockdown by the end of the month. Global financial markets experienced several down days, but nothing out of the ordinary.

- February 2020 (Early) – Multiple cruise ships reported cases of the virus. Countries globally began reporting their first confirmed cases. The WHO did not declare a pandemic and U.S. stock markets continued to reach new all-time highs.

- February 2020 (Late) – Italy and South Korea reported spikes in confirmed cases of the virus. The first U.S. case unrelated to travel appeared in California. Financial markets ended the month with the worst week in years as stocks dropped while bonds rallied in a flight to safety.

- March 2020 (Early) – The WHO declared the outbreak a 'pandemic.' Global travel slowed considerably. Italy was put on full lockdown while South Korea, which had begun rapid testing, started to contain the virus.

Additional cases were seen all over the globe. Western nations began shutting down all but essential services. U.S. stock markets sank at a rate never experienced before, finally ending the eleven-year bull market. By mid-month, cash was the favored asset and liquidity issues were impacting the bond and credit markets.

- March 2020 (Late) – While the spread of the virus appeared to be slowing in China, South Korea, and Japan, globally, cases continued to climb as quickly as tests could be completed. Governments and Central Banks planned economic stimulus packages to avert significant economic downturns, which were seen as inevitable. In the U.S., Congress passed a $2 trillion stimulus plan, while the Federal Reserve began buying Treasury bonds, mortgage back securities, and corporate bonds at high rates to ensure liquidity in credit markets.

- March 31, 2020 – The decline in global equity markets during the first quarter of 2020 was unprecedented. The Dow Jones Industrial Average (down 23%) suffered its worst quarterly performance since 1987. Similarly, the S&P 500 Index (down 20%) had its worst quarter since 2008. The speed of the decline was even more dramatic as the S&P 500 index dropped 34% in five weeks before recovering some ground prior to quarter-end. While there were few safe havens, technology and health care stocks performed well on a relative basis while energy and financial stocks were hardest hit.

Second Quarter 2020

- April 2020 (Early) – For three weeks, initial jobless claims were filed at record levels: 3.4, 6.9, and 6.6 million respectively; an unprecedented three week total of almost 17 million new claims. Economists estimated this would result in an unemployment rate of roughly 13% by June. The Federal Reserve continued to act aggressively, announcing loans of up to $2.3 trillion to aid small- and medium-sized businesses and state and local governments. The Fed also planned to purchase some types of high-yield bonds, collateralized loan obligations and commercial mortgage-backed securities. These announcements provided some relative calm to credit markets. The U.S. continued to lead the world in confirmed virus cases and was second in fatalities only to Italy. While New York remained the epicenter of the disease, new daily cases in the U.S. showed signs of stabilizing.

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- April 2020 (Late) – Despite negative economic data that only captured the very beginning of the shutdown, credit markets stabilized and equity markets continued to quickly rebound from their March lows. Weekly initial jobless claims, while still massive, began to trend lower. The six-week total, however, far exceeded the net number of jobs created during the ten-year expansion that has now ended. Economists continued to raise their spring and summer unemployment rate forecasts, while acknowledging that the peak in unemployment will be a function of when the economy reopens. First quarter GDP declined 4.8%, which will be dwarfed by a second quarter GDP collapse of 10-40% depending, again, on how quickly economic activity recovers. Separately, oil prices cratered as supply simply could not be shut down quickly enough to offset the massive drop in global demand. For the first time ever, U.S. oil prices briefly turned negative as physical storage space was completely full (traders were willing to pay others to take oil off their hands; they had nowhere to put it).

We will continue to update this timeline throughout the spring as warranted. Our thoughts and prayers go out to all those affected by the virus.

A final note: Mitchell Sinkler & Starr would like to acknowledge the contributions of William M. Whetzel, who retired on March 31, 2020. For nineteen years, Will served as a Portfolio Manager at the Firm. We will miss his consistent contributions and his calm and steady presence.

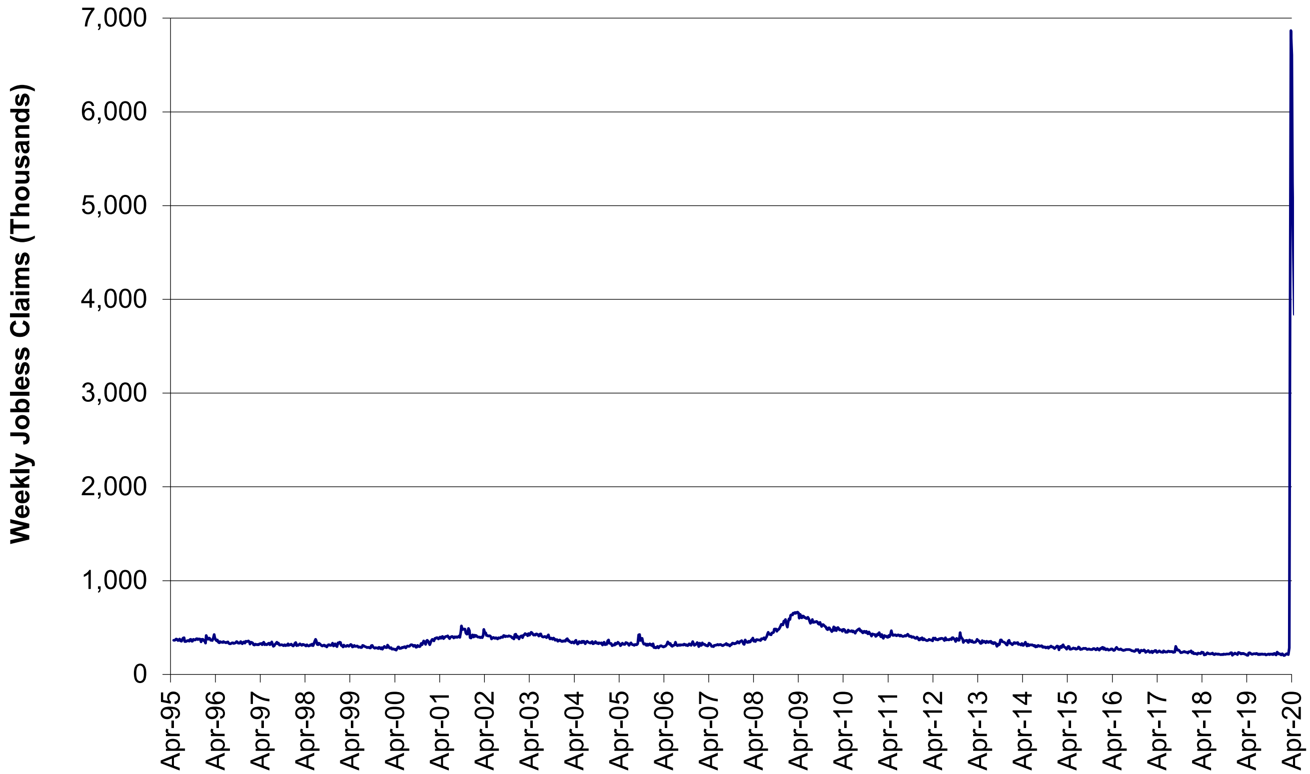
- Mitchell Sinkler & Starr's Portfolio Managers

Economic and Capital Markets Data

	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2015
S&P 500 Index	2585	3231	2834	2067
Price / Earnings Ratio	17.0x	21.6x	18.7x	18.45x
Yield	2.34%	1.82%	1.94%	2.00%
Federal Funds Rate	0.25%	1.75%	2.50%	0.25%
10 Year U.S. Treasury Yield	0.67%	1.92%	2.41%	1.92%
Gold	1577	1517	1292	1184
Oil (Brent)	23	66	68	55
GDP (Annualized)	-4.8%	2.1%	3.1%	3.2%
Unemployment	4.4%	3.5%	3.8%	5.4%
Inflation (Annualized)	1.5%	2.3%	1.9%	-0.1%

U.S. Weekly Jobless Claims

Twenty-Five Years

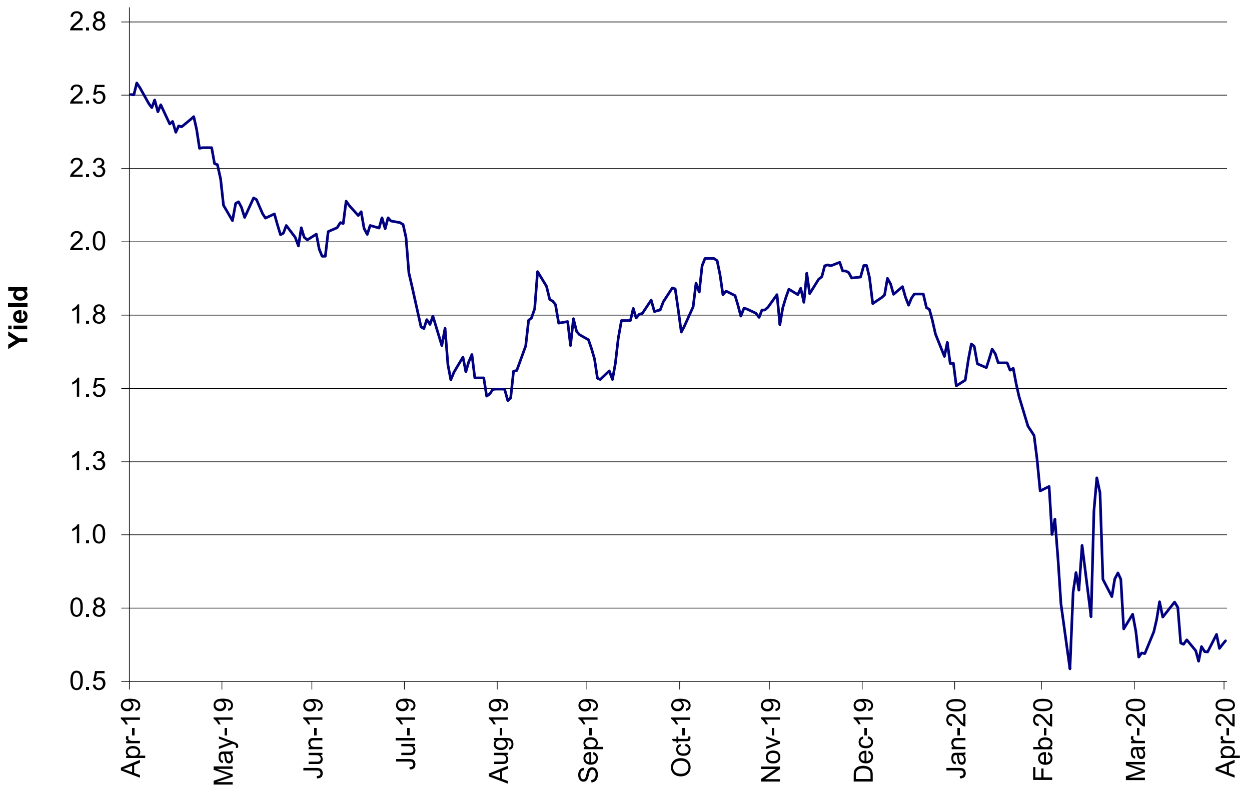


Courtesy of Bloomberg

Please note that this chart is as of April 30, 2020

U.S. Treasury Ten-Year Bond Yield

One Year

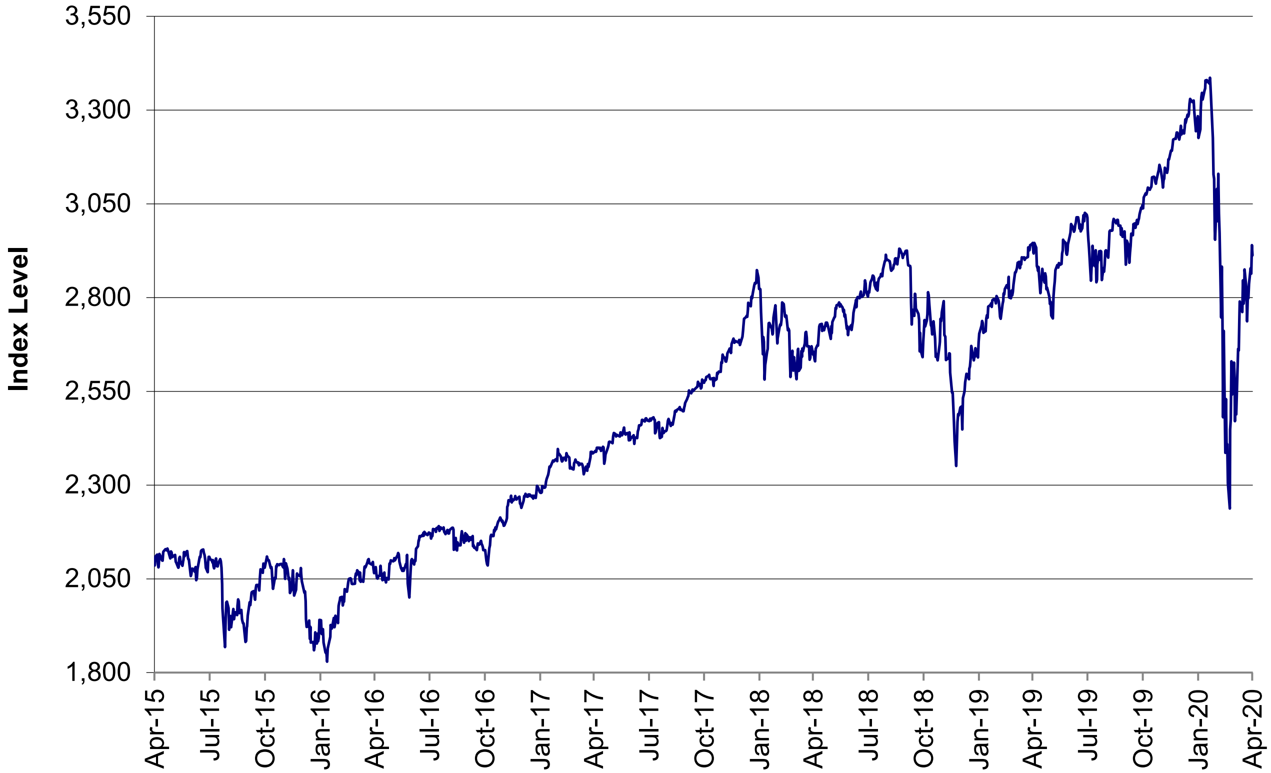


Courtesy of Bloomberg

Please note that this chart is as of April 30, 2020

Standard & Poor's 500 Index

Five Years

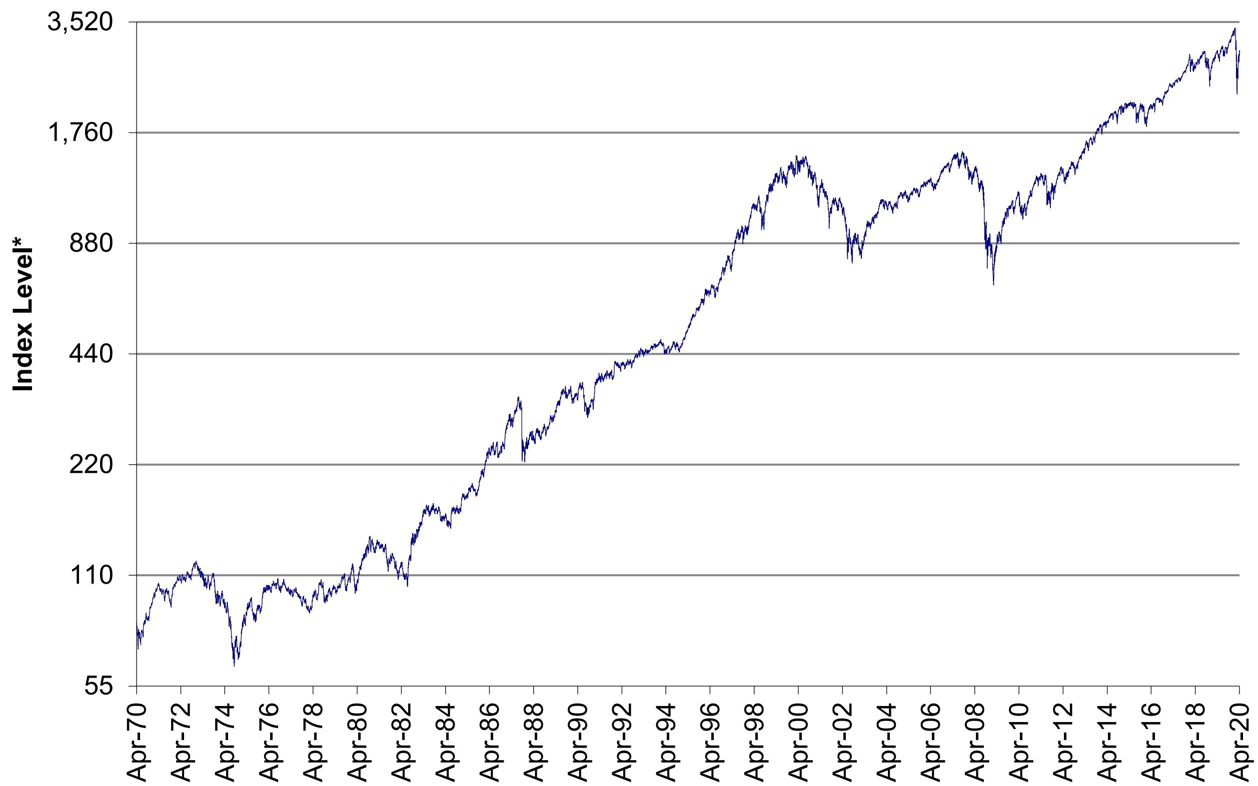


Courtesy of Bloomberg

Please note that this chart is as of April 30, 2020

Standard & Poor's 500 Index

Fifty Years



Courtesy of Bloomberg

**Please note that this chart is using a logarithmic scale*

Please note that this chart is as of April 30, 2020