



Private Capital Group Q1 2020 Review

Good Afternoon!

As we begin the second quarter of the new decade, we would be remiss if we did not acknowledge that the first quarter, while memorable, was certainly one we hope to soon put behind us. Q1 2020 brought investors early optimism, with positive highlights including upbeat fourth quarter earnings, improved business sentiment and a completed U.S.-China phase 1 trade deal. U.S. stocks were close to all-time highs and investor confidence was not far behind – until the global pandemic of COVID-19. The pandemic brought an abrupt reversal to all previously stated signals of growth and ended an historic 11-year bull market. U.S. equities entered bear market territory, government bond yields fell to their lowest levels ever, and oil prices drastically fell. Global markets have suffered significant blows, prompting emergency measures from central banks and governments. Supply chains across the world have been squeezed and corporate earnings are suspected to do the same. Everyday life has significantly slowed across the country and the safety measures put into place have limited us to indoor activities.

Although many uncertainties and likely misfortunes are ahead, specifically, continued market volatility and loss of human life, there are many reasons to believe that we are making significant progress towards the road to recovery and hopefully many more improvements will lay the groundwork for future growth and innovation. Private and public sector partnerships have formed to combat the virus. Many countries are ramping up testing and social distancing measures to slow the spread of the disease and reduce mortality rates. Possible treatments and future vaccines have emerged and conceivably will be introduced to society. Fiscal and monetary policy measures have been implemented to combat both the economic toll the virus already has had, and the financial consequences yet to come. Although these measures are meant to aid in our inevitable road to recovery, we have already seen major impacts to global financial markets, making forward-looking a challenge for us all.

First Quarter 2020: Market Update

Financial Market	Q1 2020	YTD 2020
S&P 500 (Domestic Stocks)	-19.6%	-19.6%
EAFE (International Stocks)	-22.72%	-22.72%
U.S. Government/Credit Intermediate Bonds	2.4%	2.4%

(Source: Envestnet)

Combatting the Virus

Swift action through fiscal and monetary policy has already had an effect and will continue to be evaluated over time. On February 28th, the Fed Chairman, Jerome Powell, committed to action.



The Fed cut the federal funds rate by 1.5% to 0-0.25% and pledged to boost holdings by \$500 billion and mortgage-backed securities by \$200 billion over the coming months. Congress and the Administration recently signed into law the \$2.2 trillion CARES Act to aid those in need during this temporary shutdown, including small and large businesses, state and local governments, and most importantly, our hospitals. The government may implement more fiscal policies in the near future to avoid higher inflation and interest rates once the economy inevitably recovers.

Calming the Nerves

Investing without emotion is easier said than done, especially during times of extreme and uncertainty and historical market volatility. The study of behavioral finance shows that although most investors attempt to be rational, we do not always succeed. While emotional investing occasionally yields results, statistics, research, and decades of market history all show that staying the course and consulting your predetermined and prepared investment strategy results in the best long-term performance returns by an overwhelming majority. We must resist the urge to make irrational decisions based on fear, following the herd, or our own internal biases that may affect our potential future returns.

Brighter Days Ahead

A 2020 recession is all but certain. But another certainty is that the probability of a recovery is high, and the market will, once again in a matter of time, reach new and historic highs. We must recognize the current environment and have the courage to remind ourselves that this, too, will pass. We are here to help prepare you for the future and position you for success while weathering this unprecedented situation.

Private Capital Group would like to thank you for trusting us during this time. We know that more uncertainty may follow in the coming months, but Private Capital Group will continue to serve our clients to the best of our abilities, always striving for excellence. Our strength comes from partnership, especially in times like these. We know your financial legacy was built over many years of serious work, effort, and sacrifice and our goal remains to help you plan for the future. Private Capital Group's principles are aligned with the same long-term vision. Our work together is not dependent on the market swing of the day, week, or even month; it is a valued partnership that we plan to continue for generations to come. Our commitment to you remains stronger than ever, and we thank you for being a valued client.

Please contact us with any questions about your specific needs. Stay safe and healthy.

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