Highlights

- Markets started the week on the decline, driven by volatility in the oil market, before recovering some ground and ending the week slightly negative. Equity market volatility has fallen in the past few weeks, but remains much higher than it was prior to the end of February. Companies continued to withdraw forward earnings guidance, contributing to uncertainty and future volatility. Investors should discuss their long-term goals with a financial professional.
- Policymakers in the U.S. and abroad continued to take aggressive action to combat the economic downturn. The U.S. House and Senate passed another bill to provide emergency funds for small businesses, hospitals, and testing. The European Central Bank moved to alleviate liquidity concerns. Japan’s central bank is contemplating additional monetary action as well.
- Reopening state economies continued to be a topic of discussion among political and business leaders. How and when each state’s economy reopens will be highly dependent on health conditions and its governor’s assessment of future health and economic implications.

Markets Follow Oil’s Lead

Equities largely tracked movements in the oil market this week, dipping sharply early in the week before regaining some ground. The S&P 500 Index finished down about 1.3% from the previous week’s close. Volatility in both equity and fixed income markets has abated somewhat, but remains high. Earnings this week did nothing to quell uncertainty about the future.

- The benchmark price of U.S. oil went deeply negative on Monday, as concerns about oversupply and a lack of storage capacity weighed on oil markets. Expectations of cuts in oil production and possible support from Washington pushed prices higher toward the end of the week, with equity markets following suit.
- Equities overall have been exhibiting less volatility in recent weeks. Major indices remain more than 20% higher than their March 23 lows, which may reflect the market settling into a new trading range. However, volatility is still substantially higher than it was prior to the global health and economic crisis.
- The 10-year Treasury yield has also been floating in a fairly consistent range between 0.55% and 0.65%. This historically low yield reflects strong levels of demand for U.S. Treasuries amid global economic uncertainty and the Federal Reserve’s actions throughout the crisis period. To put current yields in perspective, the 10-year Treasury yield was 1.92% at the start of 2020.
- The earnings parade continued this week, with first quarter results varying by industry. Companies across sectors have been withdrawing future guidance because of the uncertainty surrounding the depth and duration of the economic contraction.
- With economic, health, and market uncertainty at very high levels, investors should speak with a financial professional about their long-term goals. It is important to make financial decisions based on financial analysis and planning, not on daily headlines or short-term market activity.
Policymakers Continue Aggressive Responses as Unemployment Rises

Government action has given markets some measure of assurance throughout the crisis. This week, as U.S. unemployment claims continued to rise, policymakers in the U.S. and Europe reaffirmed their willingness to backstop the economy and financial markets. Action from Japan’s central bank is expected next week.

- U.S. lawmakers enacted a $484 billion coronavirus relief package that will replenish the Payroll Protection Program (PPP), provide economic aid to hospitals, and expand testing capacity in the United States. This fourth bill brings the U.S. fiscal response to nearly $3 trillion so far, with more emergency aid anticipated.
- The action on PPP came as Thursday’s initial unemployment claims report showed 4.4 million Americans filing for first-time benefits, bringing the five-week total to about 26.5 million. Continuing unemployment claims, which trail initial claims by a week, are now up to 16 million.
- The European Central Bank announced that it will accept some bonds that are below investment grade as collateral in its lending operations. This is designed to maintain liquidity in markets even as loan issuers suffer credit rating downgrades as a result of declining economic conditions. Japan’s central bank is also expected to take monetary action next week.

Reopening Discussions Continue

Political and business leaders continued their evolving dialogue about when and how to reopen state economies. Governors appear ready to move at varying paces, though public health data and public confidence will be the main drivers.

- Much will depend on the availability of tests, vaccines, and treatments. The federal government committed $25 billion of its latest economic relief package to supporting testing across the country. Private companies continue to pour money into rapid health care innovation as well.
- While governors’ assessments of the economic implications of restarting economies will be a determining factor, public confidence is also a main driver. Well-planned reopenings have the potential to not only jump-start economic growth, but also instill the confidence necessary to fuel a stronger economic recovery.

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