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1st Quarter 2020 Moreno Dye Cervantes Wealth Management Group of Wells Fargo Advisors Quarterly Newsletter

The start of 2020 has been exceptionally unique and incredibly disappointing. The New Year started with a Presidential impeachment trial in the Senate, the real possibility that the Democratic Party could nominate a self-described socialist and an economy running on all cylinders before ending with a global pandemic causing completely unforeseen social and economic disruption. Unfortunately, we all just experienced the third quickest decline in stock market history as the U.S. equity markets went from all-time highs into a bear market in a matter of just three weeks and posted the worst 1st Quarter in stock market history.

	2019 Year-to-Date	2020 Year-to-Date
Dow Jones Industrial Average	25.34%	-22.73%
S&P 500 Growth Index	31.13%	-14.59%
S&P 500 Value Index	31.93%	-25.50%
NASDAQ Composite Index	36.69%	-13.95%
S&P Mid Cap 400 Index	26.20%	-29.70%
S&P Small Cap 600 Index	22.78%	-32.64%
MSCI EAFE – International Index	22.01%	-22.83%
Bloomberg Barclays US AGG Bond	8.72%	3.15%

*Wells Fargo Advisors Monthly Major Index Returns

The Coronavirus pandemic is both a public health crisis and an economic crisis. The difficulty for our financial markets is that to cure the public health crisis we must severely curtail economic activity. This is going to put American resiliency and ingenuity to the test unlike anything we have seen in our lifetimes. Proudly, we are coming together as a nation to support our neighbors and first responders. Even our congressional leaders are showing an ability to put their political partisanship aside to swiftly come to the aid of those most severely impacted by Safer At Home policies and new social distancing standards.

We all have a lot of questions right now and not a lot of answers. How long is this going to last? How and when are we going to restart the economy? Will the economic recovery be fast or will it take years to return to normal? Based on the extreme levels of volatility, it is evident that the financial markets are struggling mightily with these questions as well. Financial markets loath uncertainty and it is difficult to imagine a more uncertain period of time for the next four to six weeks. It is virtually impossible to assess the global economic damage that we are inflicting on ourselves in an effort to "flatten the curve" of the coronavirus spread. The good news is the American healthcare companies are on the job and making tremendous headway. We should expect to start getting the answers to these questions soon.

We believe that the efforts by Congress, the Treasury and the Federal Reserve are crucial at this time. The stimulus programs recently signed into law are going to be extremely important to help bridge our businesses and newly unemployed workers through the next few months. There is a significant chance that Congress will need to do more, but we should recognize that they are off to a strong start. The Treasury and the FED are also doing an incredible job of facilitating liquidity in the financial markets. The Federal Reserve's response to this crisis echoes the financial crisis of 2008-2009, but with the exception that they are implementing the programs much faster this time around. The FED lowered interest rates to zero and initiated an open-ended quantitative easing plan to target numerous financial instruments. They have amazingly not ruled out the possibility of buying equities through exchange traded funds, which is mind blowing. So, thus far we are very happy to see that both Congress and the FED have our economic backs.

Fortunately, we went into this crisis with a very strong economy and our financial system is well capitalized with one-third of the leverage that existed pre-financial crisis of 2008. This is an event-driven recession that we should be able to recover from relatively quickly once we have the virus under control. We feel the most important variable in how fast we are able to recover is going to be how long we are required to stay home and practice extreme social distancing. We believe we could see substantial economic activity from weeks or months of pent-up demand coupled with significant amounts of global monetary and fiscal stimulus. That is why we must get the spread of the coronavirus under control in order to begin the process of reopening our businesses.

It has been truly inspirational to see how our country has come together to help and encourage each other at such a difficult moment in our history. The response by the country's private sector has been nothing short of remarkable. School teachers have mobilized to adapt and continue to teach students using innovative technologies. Automakers have retooled their operations to help meet a drastic shortage of medical equipment. Pharmaceutical companies are working to find therapeutic solutions and new vaccines. Garment producers have swiftly shifted their production to assist with hospital gowns and masks. The people of our country are nothing short of amazing and it is times like these that we are reminded of our ability to persevere through any difficult situation. Deep down we are all a bunch of bootstrapers and aren't afraid of challenges.

As always, we will continue to keep you updated on your portfolio, especially during periods like this with uncomfortably high levels of volatility. We encourage you to call us at any point if you have any questions or if there is anything that we can do to help you. Please know that our priority will be to continue to deliver the highest level of service. We ask that you be a little patient with us at this time as we have implemented shift rotations and working from home in order to do our part to alleviate the virus spread. Please accept our apologies in advance if we are not able to be as efficient and readily available as you are normally accustomed. We thank you for your understanding and greatly appreciate the positive support you have provided us the last few weeks. We hope that you and your families will continue to stay safe and healthy as we look forward to much better days ahead with the ability to shake your hand and meet face-to-face.

Warmest Wishes,

Jose A. Moreno, CFP®	Michael B. Dye, CRPC®	Oliver A. Cervantes, CFP®, CRPC®
Managing Director – Investments	Managing Director – Investments	Senior Vice President – Investments

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Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than original cost upon redemption or maturity.
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The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.
The S&P 500/Barra Growth Index is an unmanaged capitalization-weighted index stocks in the Standard & Poor's 500 index having the highest price to book ratios. The Index consists of approximately half of the S&P 500 on a market capitalization basis.
The S&P 500/Barra Value Index is an unmanaged, market-capitalization-weighted index of the stocks in the Standard & Poor's 500 Index having the lowest price to book ratios. The index consists of approximately half of the S&P 500 on a market capitalization basis.
The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.
The S&P Midcap 400 Index is a capitalization-weighted index measuring the performance of the mid-range sector of the U.S. stock market, and represents approximately 7% of the total market value of U.S. equities. Companies in the Index fall between the S&P 500 Index and the S&P Small Cap 600 Index in size: between $1-4 billion.
The S&P Small Cap 600 Index consists of 600 domestic stocks chosen for market size, liquidity (bid-asked spread, ownership, share turnover and number of no trade days) and industry group representation. It is a market value-weighted index (stock price times the number of shares outstanding), with each stock's weight in the index proportionate to its market value.
The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.
Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.