

State Farm®

Investment Planning Services

On The Markets – Week ended April 24

State Farm Investment Management (SFIM)

An Important Message

Welcome to **On The Markets**, your 5-minute guide to understanding the key factors shaping today's shifting investment landscape. At the beginning of each week, the State Farm Investment Management (SFIM) team in Investment Planning Services (IPS) will update you with the most relevant news to help you stay on top of the evolving market story.

We understand that the recent market volatility may have some customers in a panic. However, as you may know, short-term market fluctuations should not prompt a fundamental shift in strategy for achieving your long-term investment goals. Indeed, Behavioral Finance 101 teaches us that emotional investing and trying to time the market are two keys to *compromising* successful investing.

To help you navigate these unprecedented times, through **On The Markets** we'll monitor the ongoing impacts from the COVID-19 pandemic, delivering timely updates on asset-class and market returns as well as providing context around market-moving news. In addition, we're making this opportunity available to State Farm customers as well! Investors can access **On The Markets** by navigating to statefarm.com > Investments > Mutual Funds > (under Related Links) News & Market Analysis > [On The Markets](#).

To take the next step in helping you stay focused on achieving your long-term investing goals, scroll to the next page to begin reading this week's **On The Markets**.

Questions? Reach out to your State Farm registered agent.



On the Markets – Week ended April 24

State Farm Investment Management (SFIM)



Market Monitor



Asset Class Returns



Viewpoints

Market Monitor (as of 04/24/20)



Market
Monitor

Market Takes a Breather

- After climbing 15% over the prior two weeks, U.S. equities moved unevenly last week, with the S&P 500 Index ultimately losing a little over 1%.* Investor optimism for a relatively quick V-shaped economic rebound continues to drive the market, despite a steady stream of historically-bad reports showing that a lengthier recovery might be the more likely scenario.



Asset
Class
Returns

States Reopen for Business

- With the lockdowns showing signs of slowing the infection growth rate, a handful of states are beginning to lift certain restrictions on business activity. While coronavirus-related deaths have topped 54,000 in the U.S. – with confirmed cases almost 1 million – governors are working to balance keeping their citizens safe with reviving economies that have virtually flatlined due to the government-imposed measures.*

*Source: Wall Street Journal (April 27, 2020)



Viewpoints



Big Help for Small Business

- President Trump signed into law the latest round of fiscal stimulus targeting small businesses. The \$484 billion package replenishes the already-depleted Paycheck Protection Program, a component of the \$2 trillion-plus CARES Act implemented last month. The Program helps employers impacted by the lockdowns make payroll and cover other expenses.



Oil Dancing the (Con)Tango

- With the pandemic-related lockdowns grinding the global economy to a standstill, current demand for oil has plummeted. However, with traders forecasting a rebound in economic activity later this year, contracts for oil to be delivered several months from now are more expensive than current prices, a condition known as contango.



Asset Class Returns (as of 04/24/20)

Stocks

Index Total Returns as of 04/24/20 (%)

	CLOSE	WEEK	YTD
S&P 500	2836.7	-1.3	-11.7
NASDAQ Composite	8634.5	-0.2	-3.5
Dow Jones Industrial Average	23775.3	-1.9	-16.1
MSCI EAFE	1588.7	-2.0	-21.3
MSCI EM	878.1	-2.4	-20.7

U.S Equity Size and Style Total Returns

1-Week				YTD			
-1.9	-1.2	-0.7	Large	-21.0	-12.3	-4.0	Large
-1.8	-1.3	-0.6	Mid	-26.3	-19.9	-10.3	Mid
-0.8	0.3	1.3	Small	-33.4	-25.8	-18.5	Small
Value	Core	Growth		Value	Core	Growth	

Legend: Better (worse) returns represented by lighter (darker) shades.

Return data from Russell 1000, Russell Mid Cap and Russell 2000 indices.

S&P 500 Sectors (%)

	1 WEEK	YTD
S&P 500 Index	-1.3	-11.7
Communication Services	0.0	-8.8
Consumer Discretionary	-0.2	-6.1
Consumer Staples	-3.1	-6.0
Energy	1.7	-41.3
Financials	-3.1	-28.9
Healthcare	-0.5	-1.1
Industrials	-2.5	-23.9
Information Tech	-0.8	-2.9
Materials	-0.9	-18.2
Real estate	-4.4	-13.9
Utilities	-3.8	-9.1

International/Developed (%)

	1 WEEK	YTD
MSCI EAFE Index	-2.0	-21.3
Europe	-1.8	-23.3
France	-2.8	-28.3
Germany	-2.9	-24.7
Italy	-2.7	-32.4
Japan	-1.8	-15.3
Spain	-4.3	-32.9
Switzerland	-0.2	-7.9
U.K.	-1.9	-28.6

Emerging Markets (%)

	1 WEEK	YTD
MSCI EM Index	-2.4	-20.7
Brazil	-11.5	-53.1
China	-1.6	-7.2
India	-1.7	-26.9
Indonesia	-4.0	-39.1
Korea	-3.6	-19.6
Mexico	-3.8	-39.2
Russia	0.6	-31.8
Taiwan	-3.2	-13.8

Source: Morningstar Direct

Asset Class Returns (as of 04/24/20)

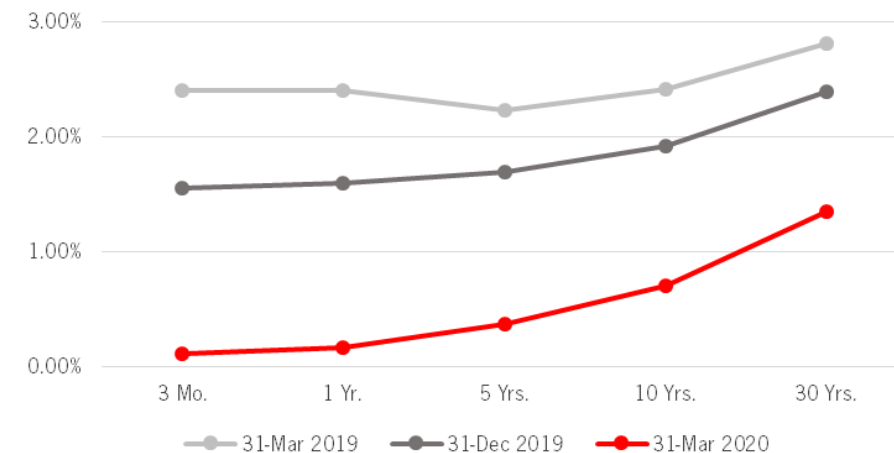
Bonds and Commodities

U.S. Treasury bond yields as of 03/31/20 (%)

Maturity	1-Month Yield	Prior Year End	YTD Change (BPS)
3 Mo.	0.11	1.55	-144
1 Yr.	0.17	1.59	-142
5 Yrs.	0.37	1.69	-132
10 Yrs.	0.70	1.92	-122
30 Yrs.	1.35	2.59	-124

Source: Morningstar Direct and U.S. Department of the Treasury

Treasury Yield Curve



U.S. Bond Sectors (%)

	Week	YTD
Aggregate	0.2	5.0
Convertible	0.7	-5.8
Corporate	0.2	1.5
High yield	-1.8	-10.5
MBS	0.1	3.1
Municipal	-1.0	-1.1
TIPS	1.3	5.0
Treasury	1.8	25.2

Source: Morningstar Direct and U.S. Department of the Treasury

Global Bonds (%)

	Week	YTD
EM Local	-1.4	-13.8
EMD USD	-1.6	-12.8
Global Agg	0.0	0.7
Global Agg Ex-U.S.	-0.2	-2.4
Multiverse	-0.1	-0.1

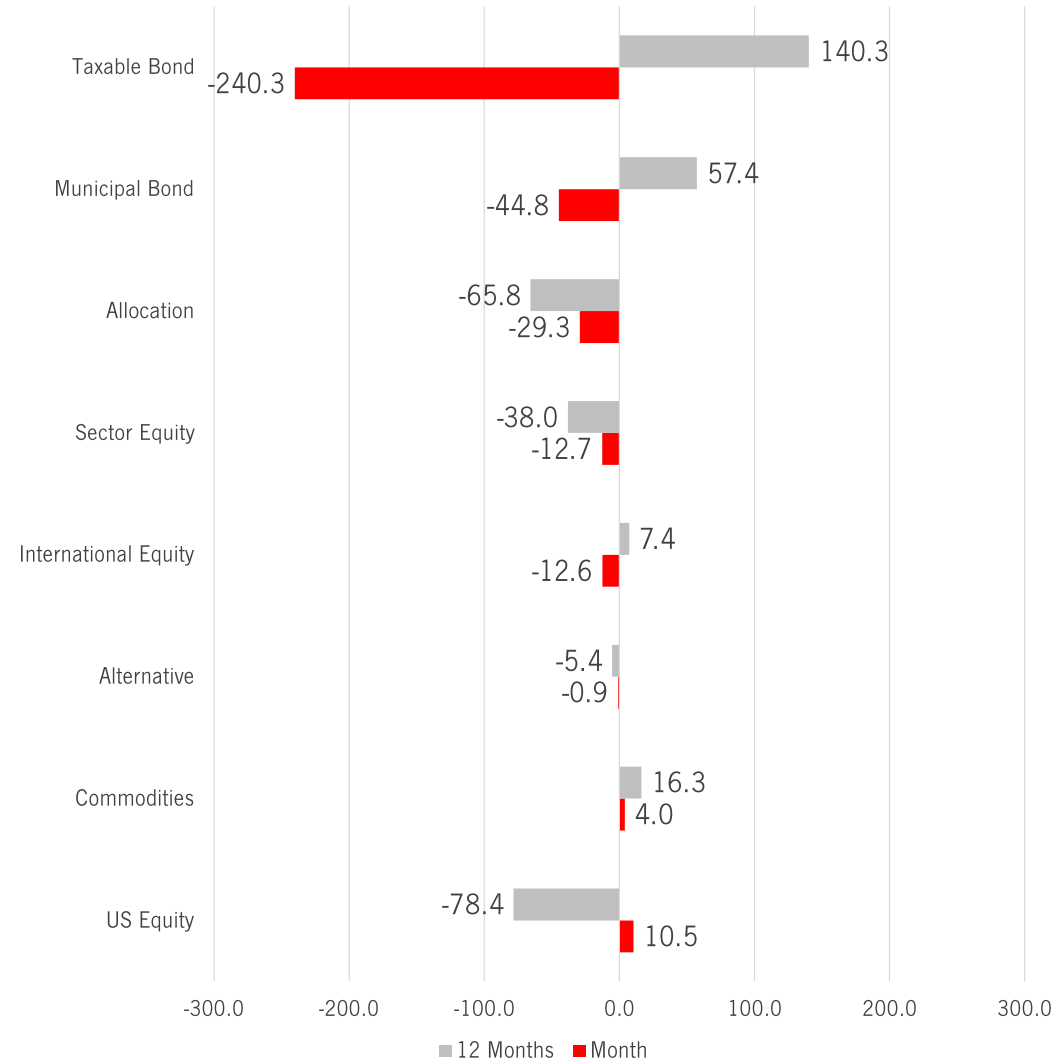
Commodities (%)

	Week	YTD
Commodity Index	-3.0	-25.3
Oil (WTI)	-27.9	-75.3
Gold	2.2	13.6

Asset Class AUM Flows (as of 03/31/20)

Fund Industry Overview - Monthly

Total net flows: open-end funds and ETFs (\$B) as of 03/31/20



Source: Morningstar Direct

Leading Morningstar fund categories by monthly net flows (\$B)

	Month	12 Months	Assets
Large Blend	27.7	87.9	3390.9
Short Government	12.4	10.2	81.5
Foreign Large Blend	10.2	72.6	981.2
Trading-Leveraged Equity	4.8	0.7	18.6
Commodities Precious Metals	3.5	17.4	82.2

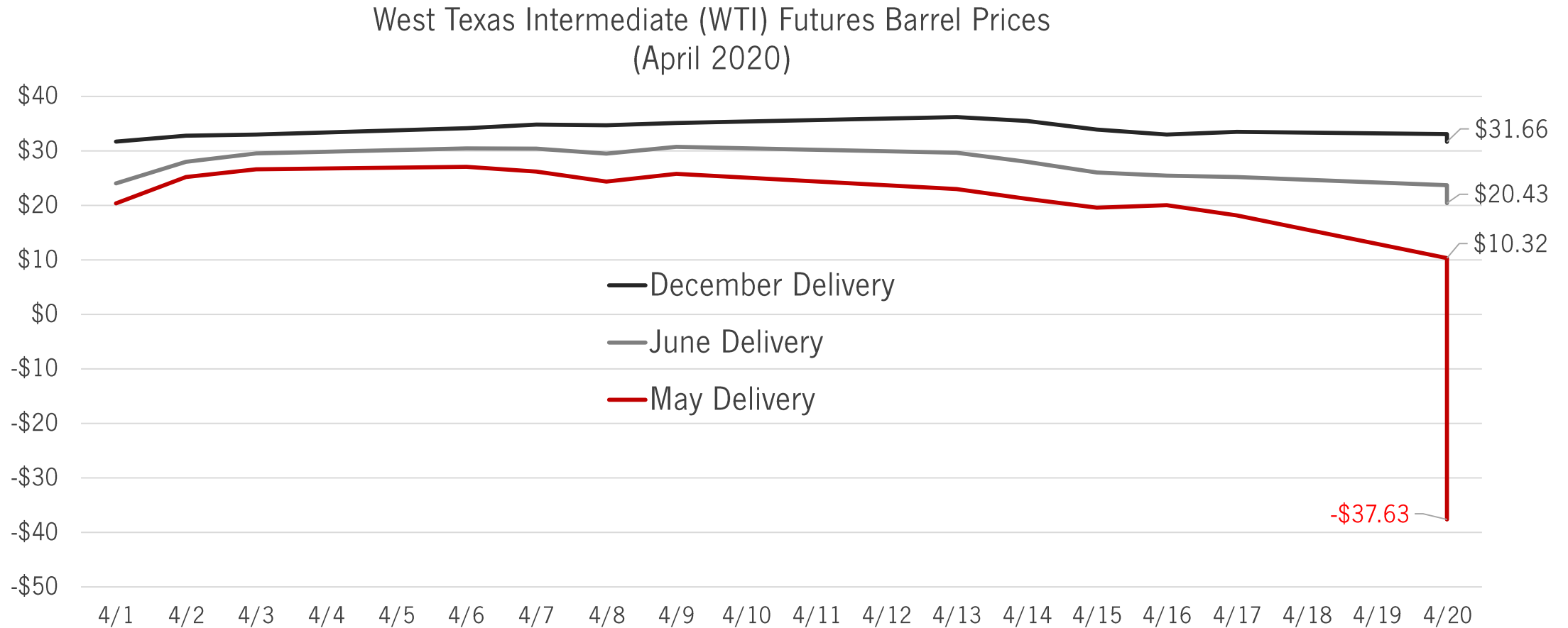
Lagging Morningstar fund categories by monthly net flows (\$B)

	Month	12 Months	Assets
Intermediate Core Bond	-56.3	56.2	975.7
Intermediate Core-Plus Bond	-29.5	42.9	712.4
Ultrashort Bond	-28.7	16.6	263.2
Short-Term Bond	-22.9	17.8	425.0
Multisector Bond	-20.7	6.9	231.0

Source: Morningstar Direct

Viewpoints

Oil Pumps The Brakes During These Unprecedented Times



Viewpoints

Oil Pumps The Brakes During These Unprecedented Times

- The oil story this year has been one of supply overwhelming demand. As a result, market players are facing a unique and troublesome issue: Running out of storage space. Earlier in the year, global supply levels were boosted by continued historic output from U.S. shale, as well as a tiff between oil heavyweights Russia and Saudi Arabia that spurred the latter to open up its spigots even further. As the coronavirus pandemic led governments worldwide to impose lockdown measures, then, economic activity – and the demand for oil that goes with it – ground to a halt.
- As a consequence of this upheaval, the oil market has been turned on its head, with the price of a barrel of West Texas Intermediate (WTI) down to around \$10 after starting the year at \$61. As oil continues to flow and demand continues to decrease, traders are forced to get creative on where to keep the excess. Last week saw more than 160 million barrels of oil stored offshore in tankers, 60% higher than the previous record.*
- For the first time ever an oil futures contract plunged into negative territory. On Monday, April 20th the contract for May delivery of WTI settled at *minus* \$37 (although it rebounded into the black on Tuesday).* With tepid demand and storage containers virtually at capacity, sellers were essentially paying buyers to take the oil off of their hands (and into the offshore tankers).
- While the spot price – the cost to take immediate ownership of a barrel today – and the near-term price (i.e. May futures contract) remain at multi-decade lows, the longer-term outlook is much brighter. Optimistic that the easing of lockdown restrictions will continue to expand, investors are forecasting a return – albeit slow – of economic activity later this year that will revive demand for oil. As a result, the contract for December delivery of WTI is trading at 3 times today's price (\$31 vs. \$10).*

*Sources: Bloomberg, JP Morgan, Wall Street Journal



Market
Monitor



Asset
Class
Returns



Viewpoints

The week ahead: **April 27 – May 1**

April 27

- No major reports scheduled

May 01

- Institute for Supply Management's manufacturing index
- Vehicle sales, U.S. Department of Commerce
- Construction spending, U.S. Census Bureau

April 28

- U.S. Federal Reserve Board opens two-day policy meeting
- S&P/Case-Shiller 20-City Composite Home Price Index
- Consumer Confidence Index, The Conference Board

April 29

- U.S. Federal Reserve Board concludes two-day policy meeting, Chairman Jerome Powell holds press conference
- First-quarter GDP, advance estimate, U.S. Bureau of Economic Analysis
- Pending home sales, National Association of Realtors

April 30

- Weekly unemployment claims, U.S. Department of Labor
- Personal income and consumer spending, U.S. Bureau of Economic Analysis

Disclosures

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