T. Rowe Price
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April 2020

MONTHLY MARKET REVIEW

T. Rowe Price®
INVEST WITH CONFIDENCE

MONTHLY MARKET REVIEW

U.S. Stocks

April 2020

Several of the major indexes bounced off bear market lows in April and posted their best monthly returns since 1987, as investors anticipated a partial reopening of the global economy. All sectors in the S&P 500 Index recorded gains, although they varied widely. Energy shares rose nearly 30% on a total return (including dividends) basis, despite domestic oil prices falling deeply into negative territory (USD -38 per barrel) on April 20. The beleaguered sector remained down nearly 36% for the year to date, however. Consumer discretionary shares gained almost 21%, and the 14% gain in technology shares returned the sector to positive territory for the year. Utilities shares lagged, rising a bit more than 3%.

Flattening the Curve Fosters Reopening Hopes

Several positive trends in the fight against the coronavirus seemed to play the lead role in bolstering sentiment in April. Stocks fell sharply on the first day of the month, as investors reacted to warnings from White House officials of the possibility of up to 240,000 deaths in the U.S., even with mitigation efforts in place. Over the following days, however, signs emerged that some of the hardest-hit regions in the U.S. and elsewhere were "flattening the curve" of the pandemic in terms of hospitalizations and fatalities. The University of Washington's widely watched model predicting the course of the outbreak also significantly lowered the expected number of deaths in the U.S. Stocks continued to rise through mid-month, as governors in several states began announcing plans for the gradual reopening of businesses and public facilities, such as state parks and beaches. Boeing and other major firms also announced plans to partially reopen some manufacturing facilities.

Glimmers of hope appeared on other fronts as well. On April 17, stocks jumped after unofficial reports surfaced that Gilead Sciences was having success in U.S. trials of remdesivir, its experimental treatment for COVID-19, the disease caused by the coronavirus. A week later, stocks fell following a report that remdesivir had failed in an early clinical trial in China, but Gilead quickly disputed the findings, stating that the trial was inconclusive given its early termination due to a lack of participants. Indeed, on April 29, Gilead Sciences announced that, in a large U.S. trial, remdesivir had performed well reducing

Total Returns

	April	Year-to-Date
Dow Jones Industrial Average	11.22%	-14.07%
S&P 500 Index	12.82	-9.29
Nasdaq Composite Index	15.45	-0.93
S&P MidCap 400 Index	14.18	-19.73
Russell 2000 Index	13.74	-21.08

Past performance is not a reliable indicator of future performance.
Note: Returns are for the periods ended April 30, 2020. The returns include dividends based on data supplied by third-party provider RIMES and compiled by T. Rowe Price, except for the Nasdaq Composite Index, whose return is principal only.
Sources: Standard & Poor's, LSE Group. See Additional Disclosures.

the severity of the disease. Dr. Anthony Fauci, the head of the National Institute of Allergy and Infectious Diseases, stated at the White House that the drug had a "clear-cut, significant, positive effect in diminishing the time to recovery." Progress on a vaccine remained much slower, but investors seemed to be encouraged by reports that an Oxford University team might have one available as early as September.

Consumer Spending Plummets as Nearly One-Fifth of Workers Lose Jobs

While hopes for an eventual exit from the pandemic may have grown, evidence of the stark toll it is currently taking on the economy accumulated and appeared to restrain the market's gains, particularly late in the month. Weekly jobless claims declined from their late-March peak but remained at historic highs and exceeded consensus expectations. On April 30, the Labor Department reported that another 3.8 million Americans had filed for unemployment in the previous week, bringing the six-week total to more than 30 million, or approximately 18% of the U.S. working population. March personal incomes also dropped more than expected, while personal spending tumbled 7.5% and retail sales plunged 8.7%—both the largest drops on record. The strain on corporate profits was also visible. At the end of the month, analysts polled by FactSet were estimating that overall earnings for companies in the S&P 500 would fall about 14% (on a year-over-year basis) in the first quarter and are expected to contract by 37% in the second quarter.

Even as most analysts agreed that the U.S. had entered a steep recession in March, investors drew hope from a new round of stimulus measures. The S&P 500 Index had its best day of the month on April 8, after the Federal Reserve announced a program promising USD 2.3 trillion in loans to smaller businesses and municipalities. The Fed also announced it would allow investment in lower-quality debt as part of its Term Asset-Backed Securities Lending Facility and other emergency lending programs. Later in the month, President Donald Trump signed into law a USD 484 billion spending bill to replenish a new but swiftly depleted program providing loans to small businesses and provide further funding for coronavirus testing and hospitals.

Long Recovery Expected

The market's strong rally off its March 23 lows has surprised many observers, especially as data released over the following weeks have seemed to indicate that the recession will be steeper and more prolonged than most early estimates. It seems likely that the primary driver of the rally, however, has been the unprecedented level of fiscal and monetary stimulus—around USD 10 trillion and counting—pumped into the global economy. T. Rowe Price's head of global multi-asset investing, Sébastien Page, notes that the liquidity-fueled rally has heavily favored growth stocks and large-caps over small-caps and value shares, which would be expected to do better if a rebound were imminent. Instead, these divergences appear to suggest that the market is pricing in a long recovery.

MONTHLY MARKET REVIEW

International Stocks

April 2020

Equities in developed non-U.S. markets rebounded in April after sharp March declines, as investors looked past negative economic data and anticipated a partial reopening of the global economy as the pandemic subsides.

The MSCI EAFE Index, which measures the performance of stocks in Europe, Australasia, and the Far East, rose 6.54%. Within the index, only the energy sector declined. Gains were led by the materials, information technology, and health care sectors. Growth stocks in the EAFE index rose 7.49%, topping value shares, which gained 5.44%. Emerging equity markets generally outperformed stocks in developed markets, led by advances in emerging markets of Europe, the Middle East, and Asia (EMEA). The MSCI EM EMEA Index returned 10.95%.

European Stocks Rise as ECB Vows to Support the Economy

Equity markets in Europe rose as investors welcomed announcements that lockdown measures will soon start to be lifted and after the European Central Bank (ECB) pledged to do what is necessary to help the euro area withstand the negative effects the spread of the coronavirus is having on regional economies. While the ECB kept its key deposit rate at a record low of -0.5% in April, it reaffirmed its plan to buy more than EUR 1 trillion in bonds, expanded its loans to banks through targeted longer-term refinancing operations, and announced several non-targeted pandemic emergency longer-term refinancing operations starting in May. The ECB also announced that it will allow below investment-grade debt in its repurchase operations until September 2021. The move is designed to limit a market seizure that could result from an expected wave of credit rating downgrades in response to the pandemic. During the month, Fitch Ratings unexpectedly cut Italy's credit rating to BBB-, the lowest level in the investment-grade universe, due to the impact of the coronavirus. S&P Global Ratings left Italy's rating at BBB with a negative outlook, despite forecasting a sharp increase in the debt level to 153% of gross domestic product (GDP).

Total Returns

MSCI Indexes	April	Year-to-Date
EAFE (Europe, Australasia, Far East)	6.54%	-17.66%
All Country World ex USA	7.64	-17.40
Europe	6.06	-19.63
Japan	5.39	-12.14
All Country Asia ex Japan	8.97	-11.03
EM (Emerging Markets)	9.18	-16.55

Past performance is not a reliable indicator of future performance.
All data are in U.S. dollars and represent gross returns as of April 30, 2020.
This table is shown for illustrative purposes only and does not represent the performance of any specific security.
Source: MSCI. See Additional Disclosures.

Leaders Agree on Recovery Fund But Remain Divided Over Financing

European Union leaders signed off on a EUR 480 billion emergency rescue package and agreed on the need for a "recovery fund" to offset the economic shock caused by the coronavirus pandemic. However, they remained divided over the size of such a fund and whether it would hand out grants or loans, dashing hopes of a near-term fiscal response to the crisis.

Eurozone GDP Shrinks at Record Rate

Economic growth in the eurozone shrank in the first quarter by 3.8%, led by sharp contractions in Spain and France. Eurozone business activity collapsed in April to a record low amid widespread business closures. The Flash IHS Markit Eurozone PMI Composite Output Index fell to 13.5 from 29.7 in March. A reading below 50 signals a contraction. The International Monetary Fund (IMF) predicted that the eurozone economy will shrink by 7.5% this year before growing 4.7% in 2021. It also forecast in its April Fiscal Monitor that gross public debt will rise by around EUR 800 billion from 2019 to 2020 and reach 97.4% of GDP, which is much higher than during the sovereign debt crisis in the years following the 2008–2009 global financial crisis.

Japanese Equities Gain as BoJ Expands Stimulus Measures

Stocks in Japan rose but lagged many other developed markets. The country's leaders announced that Japan would extend its nationwide state of emergency for about another month as recent statistics show that there have been more than 14,000 confirmed COVID-19 (the disease caused by the coronavirus) cases and approximately 450 deaths and hospitals remain over capacity.

The BoJ Employs Additional Easing Measures

The Bank of Japan (BoJ) said that it would not hesitate to implement additional easing measures to support the economy after announcing that it would remove the JPY 80 trillion annual quota for Japanese government bond purchases in favor of unlimited purchases as warranted and that it would triple its purchases of corporate bonds and commercial paper. During the month, the bank kept long- and short-term policy rates unchanged. It said it believes the negative economic impact from the coronavirus will begin to dissipate in the second half of the year. The IMF forecast that Japan's economy would contract 5.2% in 2020 and rebound to 3.0% growth in 2021, assuming that the pandemic recedes in the second half of 2020 and that global fiscal and monetary policy actions are effective in preventing widespread bankruptcies and extended job losses.

Emerging Markets Outperform Most Developed Markets

Stocks in developing markets outperformed those in many developed markets, as investors moved back into riskier assets amid expectations that economies would begin to reopen. The MSCI Emerging Markets Index rose 9.18%, led by gains in emerging EMEA markets. South African shares rose 13.22% in U.S. dollar terms as strong global demand for safe-haven assets boosted the country's gold producers; the rand weakened versus the greenback, however. Equities in Russia advanced 11.49%–helped by a stronger ruble—after the central bank cut its benchmark interest rate by 50 basis points to 5.5% and signaled more big rate cuts ahead. In Latin America, equity markets rose 6.33%, as measured by the MSCI EM Latin America Index. The region was buoyed by 16.16% gains in Chile and an 11.14% advance among Argentine shares. Regional heavyweights Brazil and Mexico lagged with milder gains.

Outlook: Keep Focused on the Longer Term

We are experiencing a truly unique market environment as a result of a global pandemic that has caused massive disruption to economies around the world. While the near-term outlook is highly uncertain, we think it is key to look beyond short-term headlines and remain steadfast in our investment process. With a focus on the longer term, we believe that strategically leaning into risk when uncertainty is high should help generate significant alpha (excess returns) for our shareholders over time.

T. Rowe Price
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MONTHLY MARKET REVIEW

Fixed Income Markets

April 2020

Longer-term Treasury yields moved modestly lower in April as concerns about the economic impact of the coronavirus continued to support demand for U.S. government debt. (Bond prices and yields move in opposite directions.)

Treasury Yields Modestly Lower as Riskier Assets Outperform

After starting the month at 0.70%, the yield of the benchmark 10-year Treasury note traded in a range of 0.58% to 0.77% (based on daily closing prices) before finishing April at 0.64%. Treasury yields were relatively stable after a surge in demand in late February and early March sent the 10-year Treasury yield to a record low of 0.54% on March 9.

Market sentiment was bifurcated for the month. Equities and riskier segments of the fixed income universe outperformed as some governments began to ease lockdowns amid signs that the pandemic had peaked in some areas. However, evidence of the damage already done by the coronavirus supported demand for safe-haven securities. More than 30 million Americans filed unemployment claims in the six-week period ended April 30; retail sales plunged 8.7% in March, the biggest decline on record; and oil prices tumbled, briefly reaching negative territory, as demand for energy fell.

Fed Expands Bond-Buying Programs

After cutting its short-term lending rate to near zero and initiating bond-buying programs and other lending facilities in March to stimulate the economy and provide liquidity to the market, the Federal Reserve remained active in April. During the month, the central bank:

- Broadened the Term Asset-Backed Securities Loan Facility to include AAA rated secondary market commercial mortgage-backed securities in addition to certain types of newly issued AAA rated asset-backed securities.
- Announced it would begin purchasing "fallen angels"—corporate bonds that have been downgraded to below investment grade—along with high yield exchange-traded funds.
- Launched a Municipal Liquidity Facility to purchase up to USD 500 billion in short-term debt from states

Total Returns

Index	April	Year-to-Date
Bloomberg Barclays U.S. Aggregate Bond Index	1.78%	4.98%
J.P. Morgan Global High Yield Index	4.08	-11.47
Bloomberg Barclays Municipal Bond Index	-1.26	-1.88
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	2.04	-0.69
J.P. Morgan Emerging Markets Bond Index Global Diversified	2.25	-11.44
Bloomberg Barclays U.S. Mortgage Backed Securities Index	0.64	3.47

Past performance is not a reliable indicator of future performance.
Figures as of April 30, 2020. This table is shown for illustrative purposes only and does not represent the performance of any specific security.
Sources: RIMES, as of April 30, 2020; Bloomberg Index Services Limited, J.P. Morgan. See Additional Disclosures.

U.S. Treasury Yields

Maturity	March 31	April 30
3-Month	0.11%	0.09%
6-Month	0.15	0.11
2-Year	0.23	0.20
5-Year	0.37	0.36
10-Year	0.70	0.64
30-Year	1.35	1.28

Source: Federal Reserve Board.

(and the District of Columbia) as well as some cities and counties.

After its regularly scheduled policy meeting at month-end, the Fed said it was "committed to using its full range of tools to support the U.S. economy in this challenging time."

Investment-Grade Corporates Lead Fixed Income Rebound

In marked contrast to March, nearly all fixed income sectors produced positive returns in April. Investment-grade corporate bonds were the strongest performers in the Bloomberg Barclays U.S. Aggregate Bond Index as the segment benefited from expanded Fed bond-buying and federal support for corporate issuers in the CARES Act. Strong demand easily absorbed a record level of new issuance. Asset-backed securities also produced solid gains. Treasuries and mortgage-backed securities, which were the only major fixed income sectors to record gains in both March and April, continued to benefit from substantial Fed support.

Treasury inflation protected securities outperformed nominal Treasuries. Despite the plunge in oil prices, inflation expectations strengthened somewhat after reaching their lowest level in more than a decade in March.

Fed Support Helps High Yield Bonds Bounce Back

High yield bonds regained some ground after suffering significant first-quarter losses. Overall returns in the below investment-grade sector were bolstered by strong demand and the Fed's decision to start buying some high yield bonds, and energy issuers held up well despite oil price volatility. The high yield segment still faces challenges from the economic downturn—T. Rowe Price traders noted that the number of below investment-grade companies that either filed for bankruptcy or missed interest payments in April reached the highest level since 2009. Floating rate loans also performed well.

Munis Produce Negative Returns

Municipal bonds were the only major sector in the fixed income universe to produce negative results for the month, and the sector is off to its worst start to a year since 2008. Investors focused on the uncertain financial future that many states and municipalities face as tax revenues have dropped while expenses have climbed. Securities with elevated exposure to pandemic risks such as hospital and transportation revenue bonds underperformed. Comments from Senate Majority Leader Mitch McConnell that he would favor allowing states to file for bankruptcy contributed to negative sentiment.

Global Bonds Benefit From Weaker Dollar

Non-U.S. developed market bonds produced generally positive returns, as a weaker U.S. dollar bolstered returns of securities denominated in local currencies. The European Central Bank kept its monetary policy largely unchanged but announced new pandemic emergency longer-term refinancing operations. Fitch downgraded Italy's credit rating by a notch to BBB- due to the country's deteriorating fiscal position and relatively high debt levels. Meanwhile, the Bank of Japan took further easing measures by removing limits on purchases of government bonds and nearly tripling its maximum holdings of corporate debt and commercial paper to around JPY 20 trillion.

Emerging markets bonds benefited from improving risk sentiment as optimism grew that the worst of the pandemic had passed. Central banks in numerous emerging countries, including Russia, Turkey, and Mexico, cut interest rates to help stimulate their economies, but Mexico and South Africa, major issuers in the sector, had their credit ratings downgraded. Mexico remained in investment grade, but South Africa was downgraded further into below investment-grade status due to a contracting economy and ballooning fiscal deficit.

Outlook: Short-Term Yields Anchored by Fed Actions

According to Arif Husain, a T. Rowe Price portfolio manager and the head of International Fixed Income, the Federal Reserve's response to the coronavirus went even further than the actions it took during the global financial crisis a decade earlier. "The Fed's action has been unprecedented and goes far beyond anything we have seen before," said Husain of the central bank's stimulus programs, which have included plans to buy investment-grade corporate bonds and some types of high yield bonds for the first time. The measures seem to be helping, notes Husain. Markets supported by the Fed stabilized in April after the volatility experienced in March, and, with quantitative easing and rates near zero, short-term yields could remain low for the near term.

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MONTHLY MARKET REVIEW

Global Capital Markets Environment

April 2020

Equities in the U.S. surged in April, recouping a portion of their steep losses in March, as signs of a slowdown in the coronavirus infection rates in several global hot spots raised hopes that the worst of the pandemic had passed. Many U.S. indexes posted their best one-month returns since 1987. Investors also welcomed continued efforts by the Federal Reserve (Fed) and the federal government to support the U.S. economy. For example, the Fed promised up to USD 2.3 trillion in loans to smaller businesses and municipalities and announced that it would purchase certain lower-quality debt as part of its Term Asset-Backed Securities Lending Facility and other emergency lending programs. Additionally, President Donald Trump signed a USD 484 billion spending bill to replenish the new but swiftly depleted Paycheck Protection Program, which provides loans to small businesses, as well as provide further funding for coronavirus testing at hospitals. Sentiment received a further boost as governors in some states and regions started making plans to gradually reopen their economies. Some investors are concerned, however, that a premature resumption of business activities could lead to a new wave of coronavirus infections and force governors to reinstate their stay-at-home directives.

While all indexes were broadly positive, mid-cap shares narrowly outperformed small- and large-caps. The S&P MidCap 400 Index returned 14.18% versus 13.74% for the small-cap Russell 2000 Index and 12.82% for the large-cap S&P 500 Index. As measured by various Russell indexes, growth stocks outperformed value stocks across all market capitalizations.

In the large-cap universe, as measured by the S&P 500 Index, sector performance was broadly positive. Energy shares were extremely volatile yet closed the month as the top-performing sector; year-to-date losses, however, remain significant. On April 20, shortly before it expired, the May futures contract for West Texas Intermediate (WTI) crude oil closed at a price of approximately USD -37 per barrel—meaning that buyers were getting paid to take and store each barrel. This reflects abundant global supplies, low confidence that a recent production cut agreement among oil-producing nations will be effective, and a rapid reduction in storage space for crude. The June WTI futures contract remained in positive price territory. Consumer discretionary shares also produced strong results, as bellwether Amazon.com surged during the month. Many people favored online purchasing to abide by local stay-at-home orders; also, many brick-and-mortar retailers were closed to curtail the spread of the virus. Materials and communication services also posted solid returns, and the information technology sector was helped by chipmaking companies' strong gains. Health care stocks performed in line with the broad market, as several pharmaceutical and biotechnology companies worked to develop

U.S. Stock Returns

	S&P 500 Index	S&P MidCap 400 Index	Russell 2000 Index
April	12.82%	14.18%	13.74%
Year-to-Date	-9.29	-19.73	-21.08

Past performance is not a reliable indicator of future performance.

Sources: RIMES, as of April 30, 2020; Standard & Poor's, LSE Group. See Additional Disclosures.

possible treatments for the coronavirus. Conversely, stocks in the defensive consumer staples and utilities sectors lagged with modest returns.

Most domestic bond segments produced positive returns, as Treasury interest rates edged lower across all maturities and credit spreads—the yield difference between higher- and lower-quality bonds—narrowed in riskier segments of the market. The Bloomberg Barclays U.S. Aggregate Bond Index returned 1.78%. Sector performance was broadly positive. Corporate bonds posted strong returns and were the best performers in the investment-grade universe. Asset-backed and commercial mortgage-backed securities produced smaller gains, while Treasuries and Ginnie Mae mortgage-backed securities edged higher. Tax-free municipal bonds produced negative returns and underperformed the broad taxable bond market. The fallout from the coronavirus continues to grip the market, as many state and local governments are grappling with the loss of tax revenue and mounting expenses. High yield bonds posted solid returns in April and outperformed the investment-grade market; year-to-date returns, however, are still deep in the red. Credit spreads in the below investment-grade universe narrowed in response to the Federal Reserve's announcement that it would expand its bond-buying efforts into certain parts of the high yield market.

Stocks in developed non-U.S. equity markets advanced in April but significantly underperformed U.S. shares. The MSCI EAFE Index, which measures the performance of stocks in Europe, Australasia, and the Far East, returned 6.54%. European stock markets were widely positive in U.S. dollar terms. European Central Bank (ECB) President Christine Lagarde indicated that the central bank is willing to do everything necessary within its mandate to help the euro area pull through the coronavirus crisis. She said that the ECB is fully prepared to increase the size of its asset purchase programs and adjust their compositions by as much as necessary and for as long as needed. Austrian shares led the way, returning over 15% in U.S. dollar terms. British shares returned roughly 5%. Prime Minister Boris Johnson spent several days in intensive care after contracting COVID-19, and Foreign Secretary Dominic Raab helped run the country in Johnson's stead. Spanish and Italian shares lagged, returning less than 2% for the month, as both countries are slowly trying to reopen after their populations were hit hard by the coronavirus.

Developed Asian and Far East markets were also broadly positive, as Australia displayed the best returns, exceeding 15% in U.S. dollar terms. Japanese shares advanced more than 5%. In the middle of the month, Prime Minister Shinzo Abe declared a nationwide state of emergency to try to curb the spread of the coronavirus throughout the country. Abe gave local authorities more power to urge businesses to close and residents to stay home until May 6, with the hope of reducing travel during Golden Week, a string of several national holidays that started on April 29.

Emerging markets stocks outperformed developed non-U.S. markets. The MSCI Emerging Markets Index returned 9.18%. Asian markets were mostly positive, as Indian shares outpaced the region, returning more than 16% despite a nationwide lockdown that persisted throughout the month. Lockdown restrictions have been extended until mid-May, though there has been some degree of loosening. Chinese stocks rose 6%, while Chinese onshore A shares returned over 7%. Early in the month, China ended its lockdown of Wuhan, the origin of the coronavirus outbreak. Travel hubs were reportedly extremely busy after an 11-week lockdown, as stranded Lunar New Year travelers and migrant workers were

U.S. Bond Returns

	Bloomberg Barclays U.S. Aggregate Bond Index	Bloomberg Barclays Municipal Bond Index	J.P. Morgan Global High Yield Index
April	1.78%	-1.26%	4.08%
Year-to-Date	4.98	-1.88	-11.47

Past performance is not a reliable indicator of future performance.

Sources: RIMES, as of April 30, 2020; Bloomberg Index Services Limited, J.P. Morgan. See Additional Disclosures.

Non-U.S. Stock Returns

	MSCI EAFE Index	MSCI Emerging Markets Index
April	6.54%	9.18%
Year-to-Date	-17.66	-16.55

Past performance is not a reliable indicator of future performance.

Sources: RIMES, as of April 30, 2020; MSCI. See Additional Disclosures.

Non-U.S. Bond Returns

	Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	J.P. Morgan Emerging Markets Bond Index Global Diversified	J.P. Morgan GBI-EM Global Diversified Index
April	2.04%	2.25%	3.92%
Year-to-Date	-0.69	-11.44	-11.89

Past performance is not a reliable indicator of future performance.

Sources: RIMES, as of April 30, 2020; Bloomberg Index Services Limited, J.P. Morgan. See Additional Disclosures.

finally able to return home or to their place of work. In emerging Europe, Russian shares rallied around 11.5% for the month as oil prices rebounded in the final week of April. Turkish shares advanced about 4.5%.

In Latin America, major markets were positive in U.S. dollar terms. Chilean shares led the way, returning over 16% for the month. Argentina and Peru also performed well, as both countries returned around 11%. Brazil's market trailed with a gain of about 5%. Mexican shares also lagged, returning over 4%. Investors were discouraged by the government's fiscal response to the pandemic. Also, even though Mexico's central bank surprised markets later in the month with a 50-basis-point interest rate cut, policymakers highlighted a highly negative growth outlook as the primary reason for the move.

Bonds in developed non-U.S. markets produced gains in U.S. dollar terms; local returns were enhanced by dollar weakness against most major currencies. Ten-year government bond yields in Germany, the UK, and Japan gradually declined during April and ended near their monthly lows. On April 27, the Bank of Japan (BoJ) expanded its government bond-buying mandate to help buoy the economy against the coronavirus pandemic. Previously, the BoJ was targeting purchases around JPY 80 trillion per year, but now the central bank can make unlimited purchases of Japanese government bonds.

Emerging markets bonds also displayed positive returns in April and outperformed bonds in developed markets. Bonds denominated in U.S. dollars underperformed local currency issues as the dollar fell versus several emerging markets currencies, even though a number of central banks in the developing world reduced interest rates. The Russian ruble, Colombian peso, and Chilean peso were a few currencies that appreciated strongly against the greenback. Conversely, the Turkish lira and Brazilian real exhibited steep losses.

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MONTHLY MARKET REVIEW

Emerging Markets Stocks

April 2020

Emerging markets stocks rallied in April as bargain-hunting investors stepped in after three months of declines spurred by the coronavirus pandemic. Anticipation of a vaccine and an eventual economic recovery following massive monetary and fiscal stimulus in many countries also bolstered risk appetite. However, the depth of the global downturn and rising infection rates in several countries kept many investors on the sidelines. Emerging markets equity funds tracked by EPFR recorded their 11th straight week of outflows in the final week of April, according to the market data firm. The International Monetary Fund forecast that the global economy would shrink by 3% in 2020, much worse than during the 2008–2009 global financial crisis. All 11 sectors in the MSCI Emerging Markets Index rose, led by a roughly 15% gain in materials stocks. Real estate stocks added the least.

Chinese Shares Gain as Economy Moves to Reopen; Indian Stocks Rally as Country Eyes Reopening

Chinese U.S.-listed and yuan-denominated A shares posted single-digit gains as the country's economy gradually moved toward reopening. China's gross domestic product shrank 6.8% in the first quarter from a year ago, marking its first annual contraction since the country began reporting quarterly growth data in 1992.

Indian stocks added roughly 16% as investors looked forward to economic activity resuming after the end of a nationwide lockdown that was recently extended until mid-May. The country's two benchmark indexes, the S&P BSE Sensex and NSE Nifty 50, rebounded nearly 30% from their March lows, though both remain below their 2020 highs.

Southeast Asian stocks recorded strong gains, led by a roughly 16% rally in Thailand's stocks after the Thai government unveiled a stimulus plan valued at THB 1 trillion to counter the impact of the coronavirus outbreak. Indonesian stocks added 12%. Indonesia's central bank forecast the country's economy would expand 2.3% this year, down from a prior 4.2% to 4.6% range, though it could contract as much as 0.4% in a worst-case scenario.

Brazilian Stocks Underperform Amid Political Turmoil; Mexican Stocks Lag as Recession Outlook Weighs

Brazilian stocks gained about 5%, lagging the emerging markets universe, after President Jair Bolsonaro's justice minister unexpectedly resigned amid

Total Returns

MSCI Index	April	Year-to-Date
Emerging Markets (EM)	9.18%	-16.55%
EM Asia	9.18	-10.54
EM Europe, Middle East, and Africa (EMEA)	10.95	-26.65
EM Latin America	6.33	-42.13

Past performance is not a reliable indicator of future performance.

All data are in U.S. dollars as of April 30, 2020. This table is shown for illustrative purposes only and does not represent the performance of any specific security. Source: MSCI. See Additional Disclosures.

charges that Bolsonaro was improperly interfering with the federal police. The justice minister's exit sparked a sell-off in Brazil's currency to a record low versus the U.S. dollar and reinforced the notion that the country's leadership is in turmoil as it tries to control a rising number of coronavirus cases.

Mexican stocks added roughly 4%. Mexico's gross domestic product shrank a worse-than-expected 1.6% in the first quarter from the previous quarter, according to preliminary data, marking the country's steepest quarterly contraction since 2009. Economists expect Mexico's economy will contract 6.7% this year in what would be the country's worst recession since the 1995 Tequila Crisis.

Andean stock markets advanced, led by Chile's 16% advance. Chile's government projected that its economy would decline 2% this year as it started to reopen the country from a six-week lockdown. Peruvian stocks gained roughly 11%, while Colombian stocks rose almost 8%. Central banks in both countries reduced their interest rates as they sought to cushion their economies from the coronavirus.

Russian Stocks Gain on Rate Cuts; Turkish Stocks Underperform Amid Increasing Currency Weakness

Russian stocks rose roughly 11%. The Bank of Russia cut its benchmark interest rate by 50 basis points (.5%) to 5.5% and signaled more big rate cuts ahead as it gave a bleak economic outlook. The central bank forecast that Russia's economy would shrink between 4% and 6% this year due to the coronavirus-induced lockdowns and plunging oil prices.

Turkish stocks advanced about 5%, lagging the EMEA region, amid worries about the country's increasingly fragile finances. Turkey's central bank cut its benchmark rate by a full percentage point to 8.75%, its eighth straight reduction. The larger-than-expected cut led Turkey's state banks to intervene in currency markets to prop up the lira, which has lost almost 15% of its value versus the U.S. dollar this year and is at risk for more declines.

South African stocks rallied about 13%. Despite a poor macroeconomic outlook and a weak rand, strong global demand for safe-haven assets pushed up shares of South Africa's heavyweight gold producers and sent the benchmark FTSE/JSE Africa All Share Index up 13% in April, its best monthly performance in nearly 17 years.

Emerging Markets Stocks Offer Compelling Long-Term Value

Emerging markets stocks can add value to a portfolio over the long term, according to investment professionals in T. Rowe Price's Multi-Asset Division. Emerging markets offer geographic diversification without some of the structural headwinds faced by developed markets stocks. For instance, near-zero or negative interest rates have weighed on profitability for financial stocks in Europe and Japan. However, still positive interest rates and increasing consumer penetration mean that financial stocks in many emerging markets have stronger revenue growth potential than their developed market peers. Emerging markets offer attractive exposure to high-growth technology-driven areas such as cloud software, social media and online retail, particularly in Asia, where e-commerce is even more prevalent than in the U.S. In sum, we believe that emerging markets stocks offer diversification benefits, growth companies on the right side of change, and attractive valuations compared with other asset classes.

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