

After suffering through the worst performance since 1931 for the S&P 500, the first week of 2009 trading offered a welcomed respite from the fourth quarter as stocks rallied almost 4 percent. However, the remainder of the month turned into the worst January on record as the S&P 500 fell 8.4 percent. This poor January performance bodes ill fortune for the remainder of the year, as the “January Barometer” now forecasts a 60 percent chance of a down market for the year.

Through the third week of February, stocks continued their downward slide for a myriad of reasons, including economic fears, possible bank nationalization, and mixed messages from Washington regarding housing and banking plans. After the Dow Jones Industrial Average dropped another 250 points on February 23, stocks hit levels not seen since May 1997. The sell-off continued into the first week of March as the Dow fell 13 percent below the lows experienced in November 2008 and down about 25 percent for the year. At its lowest point, the decline hit 54 percent, which marks the worst bear market since the 1929-1932 time period, when the Dow fell 89 percent.

The tide began to turn with good earnings news from major banks and the Treasury’s toxic asset plan. By March 26, the Dow gained 21 percent in 13 trading days, technically achieving a bull market. However, as the first quarter closed, most stock indexes suffered deep losses even after the March rally, as the Dow overall lost 12.5 percent, the S&P 500 fell 11 percent, while the NASDAQ fell only 3.1 percent.

As far as style, growth stocks substantially outperformed value stocks across all capitalization ranges. In the large company space, the S&P 500 Growth Index lost 6.2 percent, while its value counterpart fell 16.1 percent. Midcap and small growth stocks also outperformed, with midcap growth outperforming value by about 700 basis points and small growth outperforming small value by about 1,000 basis points.

Like the fourth quarter of last year, all funds within the Investment Choice line-up with any stock exposure posted a negative return. The most conservative Target Dated Fund, the Retirement Income Strategy, lost 2.6 percent due to its 30 percent stock exposure, while the NADART Fund declined 6.4 percent with its 62 percent stock allocation at quarter’s end. The worst-performing funds invested in either value, small or international stocks, as these markets all saw declines in excess of 10 percent. Both of the line-ups that invested 100 percent in bonds saw positive returns, with PIMCO Total Return gaining 1.3 percent, while the Income Fund increased about 0.6 percent.

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