

Wednesday, April 15, 2020

Good Afternoon,

The recent rally in stocks seems to be holding - so far. This will be challenging as we begin to understand the full financial damage of an economy in free fall. Retail sales have plummeted and reduced corporate earnings are beginning to roll in. Consumer confidence has dropped like a stone and unemployment is rocketing higher. How can markets stabilize in light of all this news? Stock markets always react quickly to both good and bad news, and bottom before the actual economy does. They sold off quickly before we understood the nature of the coming pandemic, and perhaps now they sense the news is getting better, or maybe, less bad.

While the number of cases of COVID-19 continues to grow, the rate of growth appears to be slowing. This is the beginning the curve flattening. It's only the first phase, and the next phase will be complete when new cases are less than resolved cases. At that point, the active case count will start to decline. We are likely several weeks, or more, from that date. Social distancing is making a difference and markets see a path to controlling the spread of the virus. It won't be too long before we begin to focus on the recovery stage from the sharp, self-created recession we are entering. While tragic stories abound, the news is becoming less shocking and we understand what we now face. This has had a calming effect on markets. At least for now. Volatility will be around for a while.

And now, a few observations about the quarantine.

- I need to practice social distancing from the refrigerator.
- Last night I had to take out the garbage. I was so excited but couldn't figure out what to wear.
- Is anyone else turning the toilet paper like you're cracking a safe?
- This is a great time to be an introvert.
- You can wear a mask into a bank. No big deal.
- Golf courses are closed, but we can go to Walmart.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week! Stay safe,

*Wade*

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