

Thursday, April 30, 2020

Good Afternoon,

April is shaping up to be the strongest month for stocks in more than three decades, a welcome reversal from the historic declines of March. Why have stocks rallied so sharply in the past month? Stocks are caught between two strongly competing forces. On one side is the \$5 trillion worth of monetary policy (the Fed) and the \$3 trillion worth of fiscal stimulus (Congress). On the other is a massive collapse in economic growth and corporate earnings. The policy stimulus is winning so far, but we expect the other side to win a battle or two before all of this is over.

We face a wave of grim economic data and corporate earnings in the coming months. Until we see economic conditions improve, it will be tough for equity prices to make additional gains. And unfortunately, we expect the global economic reopening to be uneven, confusing and inconsistent. It will be months before we can quantify the financial damage to individuals, corporations, cities, towns and states. However, we are seeing progress against COVID 19, and we think this bear market has already reached its low, thanks to the massive policy stimulus. While an equity selloff is likely in the coming weeks, long-term prospects are looking better.

As you know, I usually like to add observations about some of my favorite sports. I'm lacking a little material at this time, so maybe just a few more observations. You think things are bad now? In 20 years, our country will be run by people homeschooled by day drinkers. I cannot remember if my gas tank is on the right or left. Everyone's hair looks a bit odd. Zooming with friends can lead to hangovers. And the directions for disinfectant have not changed.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

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 weekend!

Wade

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