

Thursday, April 9, 2020

Good Afternoon,

Stocks have managed to rally this week, extending the gains from the market low on March 23<sup>rd</sup>. Since that date, the S&P 500 has rallied 25% - technically starting a new bull market. But we need to add some perspective to the rally for reference. Markets topped out on February 12 and the S&P 500 subsequently fell 34% to the March 23 low. Imagine you have \$100 and it declines 34% to \$66. In order to get back to \$100, you would need an increase of 52% on your \$66. So, our recent 25% rally in stocks gets us about halfway back to the highs. We'll certainly take what we can get!

Just as COVID-19 is far from under control, markets are far from out of the woods. As mentioned, we welcome the recent rally, but don't know if we trust it completely. Like everything else in our strange new world, how the economy will recover on the other side of the pandemic is not clear. There is no roadmap detailing how to restart the economy and get people back to work. Congress has passed unprecedented relief plans and the Fed continues to act aggressively, throwing massive amounts of dollars in support of the economy during this economic disruption. We are in uncharted waters which leads to heightened fears of unintended consequences. It is likely to be a bumpy ride.

In the end, stocks are valued on profits. There is no doubt that profits will be hit hard by the shutdown. We will learn more next week as corporations start to release earnings reports for Q1. While the 1<sup>st</sup> Quarter was not a complete wash out, the 2<sup>nd</sup> Quarter will be. We doubt that most corporations will make forward projections for the balance of the year, as they normally do. So, it will be a bit of a guessing game to determine if stock prices have seen their lows for the year, or not. If nothing else, next week will begin to test the strength of our welcomed rally.

This Update may seem a bit glum, but we're just being realistic. However, there are good things happening in the world and wonderful stories of people and companies doing their best to combat the virus and hardships accompanying it. We will get through this mess and back to more normal routines. We salute those people on the front lines in the medical field and everyone working on treatments and vaccines for COVID-19.

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[http://www.commonwealth.com/RepSiteContent/weekly\\_comm/commentary\\_redirect.htm](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.

Stay strong and have a wonderful holiday weekend!

*Wade*

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