

Wednesday, September 2, 2020

Good Afternoon,

Stocks continue to behave like the economy was never interrupted by COVID-19. While we appreciate the higher values, we are cautious and have some concern that we are approaching the “euphoria” stage of the current market cycle. The next stage involves heavy selling and declining prices. We wouldn’t be doing our job if we weren’t worried about something!

With all the accommodation to markets from the Fed and Congress, could inflation be something to worry about? The Fed announced a new policy on inflation implying interest rates will stay low for a long time. The Fed is providing support because employment and the economy are weak, and the announcement shows they are more focused on providing that support than in fighting inflation. That makes sense, precisely because employment is quite weak and there are no signs of inflation. In other words, the Fed is saying is that it's going to keep rates low because it doesn't have to worry about inflation right now. So, neither will we.

We do worry about small businesses - the backbone of the American economy. As federal aid dries up, more and more small business failures loom. The NY Times reports that the US faces a wave of small business failures this fall if the federal government does not provide a new round of financial assistance — a prospect that economists warn would prolong the recession, slow the recovery and perhaps enduringly reshape the American business landscape. Tens of thousands of restaurants, bars, retailers and other small businesses have already closed, the Times reports. Chances are you know a small business owner on the ropes right now.

The Weekly Update will be on vacation next week. A mini-road trip is in store for my wife and I as we visit some NYS COVID-approved locations in New England and see several friends. It’s our first time traveling since February and we’re really looking forward to it. Have sanitizer, will travel! Have wonderful Labor Day weekend.

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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.

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