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**Market Update: April 19, 2020**

Domestic stocks returned about 3% in registering yet another big week. The Dow Industrials are up 15% in just the past two weeks … the best two-week performance since 1938. The week closed with excitement over early results from Gilead Sciences' antiviral treatment on coronavirus patients. Stocks have now advanced 30% since their March lows, but still remain down just over 10% year-to-date.

> **The overall picture remains one of high uncertainty, with things certainly looking up from a month ago, but with the economic and public-health outlook still far from rosy. Needless to say, a successful Covid-19 treatment would be a game-changer on all fronts.**
>
> **Nicholas Jasinski – Barron's 4/16/20**

On Thursday, the Labor Department reported jobless claims of 5.2 million in the U.S. for the week ended April 11, down from 6.6 million in the prior week. Jobless claims for the past four weeks have now reached 22 million. How crazy is that? The previous four week high was 2.7 million, recorded in the fall of 1982.

> **We're in a deep freeze and the chill is bone-chilling. That's what you get in response to a lockdown.**
>
> **Diane Swonk, Grant Thornton – WSJ 4/15/20**

Workers are bracing for a second wave of layoffs. Employment previously considered very secure is now vulnerable during the pandemic. Lawyers, architects, advertising professionals, consultants, government employees, and nonessential health-care personnel will be some of the workers let go over the next few weeks.

**The first people to lose their jobs worked at restaurants, malls, hotels and other places that closed to contain the coronavirus pandemic. Higher skilled work, which often didn't require personal contact, seemed more secure. That's not how it's turning out.**

**Morath/Torry/Guilford – WSJ 4/14/20**

A Wall Street Journal survey of 57 economists expects more than 14 million jobs to be lost over the coming months. The unemployment rate could reach 13% by June … from a 50-year low of 3.5% in February.

On Wednesday, we received two major economic reports for the month of March. The Federal Reserve said that U.S. industrial production fell 5.4% … the biggest monthly drop since 1946, and the Commerce Department reported that retail sales declined by a seasonally adjusted 8.7% … the biggest month-over-month decline since they started tracking the data in 1992. Remember, we entered March riding an 11-year economic expansion.

**The consumer is 70% of the U.S. economy. So, anything you see on that front is going to matter.**

**Jack Janasiewicz, Natixis Investment Managers – WSJ 4/15/20**

According to the International Monetary Fund, the global economy is almost certainly in recession. The IMF expects the world economy will contract 3% during 2020 … which translates into a production decline of $2.7 trillion in an estimated $90 trillion global economy.

**It is very likely that this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago. The great lockdown, as one might call it, is projected to shrink global growth dramatically.**

**Gita Gopinath, IMF Chief Economist – WSJ 4/14/20**

Global trade is also expected to decline by 11% in 2020. Outbound shipments from China fell by 6.6% in March from a year earlier, after declining over 17% during the first two months of the year. China's exports to Europe and the U.S. fell over 20% in March, compared with last year.

> **While China has shifted its economy toward domestic consumption in recent years, it remains heavily reliant on exports, which have faced a raft of challenges this year. Now, most worrying of all, China's customers in the U.S. and across the West are largely shut, and demand is likely to remain depressed for the foreseeable future.**

**Jonathan Cheng – WSJ 4/17/20**

China reported GDP fell by 6.8% during the first quarter. This is the first contraction since Beijing started reporting economic results in 1992. The results reflect the impact of the two-month suspension of most economic activity.

> **It's the biggest challenge to the Chinese and world economy during peacetime in modern history.**

**Ding Shuang, Standard Chartered – WSJ 4/17/20**

U.S. crude oil prices have declined over 60% this year, as world-wide lockdowns hammered demand for gasoline, diesel, and jet fuel. This week the price of U.S. crude fell below $20 per barrel for the first time since 2002.

The U.S., along with Saudi Arabia and Russia, recently led a multinational coalition that agreed to cut daily oil production by 9.7 million barrels. The pact was finalized last Sunday (April 12), over concerns that prices would crash on the following Monday without an agreement.

**There is no feasible agreement that could cut supply by enough to offset such near-term demand losses.**

**International Energy Agency – WSJ 4/15/20**

Global demand for oil is normally about 100 million barrels a day. About 60% of that production goes to making transportation fuels. Current estimates put global demand at somewhere between 60 million to 80 million barrels a day … levels not seen in a quarter of a century. In some cases, producers in the U.S and Canada have taken the extreme step of shutting in-production wells.

**Since humans started using oil, we have never seen anything like this. There is no guide we are following. This is uncharted.**

**Saad Rahim, Trafigura Group Chief Economist – WSJ 4/14/20**

Government borrowing will escalate due to the $2.2 trillion rescue package, higher spending on programs like unemployment insurance, and an expected fall in tax revenues. The federal budget deficit is on track to reach $3.6 trillion for the fiscal year ending September 30, according to estimates by Goldman Sachs.

**The debt surge is set to shape how governments and the private sector function long after the virus is tamed. Among other things, it could be a weight on the expansion that follows.**

**Jon Hilsenrath – WSJ 4/9/20**

Debt simply brings future consumption to the present. By definition, future consumption will eventually have to be reduced. Low interest rates will help lessen the burden of our massive debt obligations. But at some point, either taxes will have to increase to manage these commitments … or runaway spending will ignite inflation.

**Longer-term, exploding deficits, soaring debt, and money printing raise the risk of inflation as a toxic side effect.**

**Chris Brightman, Research Affiliates – Advisor Perspectives 4/16/20**

For Americans without *rainy-day* monies, the pandemic has been exceptionally difficult. According to a recent Fed survey, about half of U.S. households have no emergency savings. Most said they didn't have the financial resources … either from savings, monies borrowed from friends or family, or proceeds from selling something … to cover three months of living expenses.

**This is particularly a problem for low-wage workers, including those who have borne the initial brunt of measures to stem the spread of infection, which closed stores, arenas, restaurants, and hotels.**

**David Harrison – WSJ 4/15/20**

The Schwab Center for Financial Research emphasizes the "few steps" that all investors can make during times of market volatility:

1. Resist the urge to sell based solely on recent market movements.
2. Revisit your risk tolerance and risk capacity.
3. Make sure your portfolio is appropriately diversified.
4. Rebalance your portfolio as needed.

**As deep as the global downturn had been, it may also be short. A steep decline is difficult, but it can be handled by a long-term investor …**

**Jeffrey Kleintop - Charles Schwab & Co. 4/16/20**

The stock market is a forward-looking indicator, and there are good reasons for the recent surge. Considerable monetary and fiscal stimulus, along with good progress against the pandemic have helped to propel the stock rebound. Remember too, that all assets are priced against interest rates … and interest rates are at historical lows.

Economic activity is expected to improve in the second half of the year as the virus recedes, and we get back to work. Until then, investors should expect the economic data to get even uglier. With that in mind, it's going to be very important for investors to maintain their discipline.

> **March was a bad month for the economy and April will be worse. But how much worse? Nothing is forever, and someday the economy will recover. But someday isn't coming as soon as any of us would like.**
>
> **Justin Lahart – WSJ 4/15/20**

Rising stock prices suggest that investors believe the economy will rebound quickly. Rising Treasury values, referred to as a *flight to safety*, usually happen when investors are nervous about the economy. Although prices for Treasuries and stocks often move in opposite directions, both are currently performing well … particularly stocks.

This atypical market performance reflects the extreme uncertainty we live in today. It may also reflect the fundamental conflict of managing the pandemic against the need to reopen the economy. Either way, the stock market is signaling that we are making progress.

Let's all hope the progress continues. Stay safe.

**Daniel G. Corrigan, CPA/PFS, CFP®**