Monthly Market Commentary

Summer is finally here, and we are starting to see some States slowly open back up after a dreadful month and a half of lockdowns across the country. We hope that you can start to return to your normal life and enjoy the nice weather that is upon us. In addition, our prayers go out to those affected by the tragedy in Minnesota. As the country protests the issue, we hope that you and your family can remain safe!

The FED's action to add $4-6 trillion to the national debt, which is now over $25 trillion, to create liquidity in the market at the end of March is showing positive signs of stimulating the economy in the near term. The S&P 500, which was down over 30% on March 23, 2020, has recouped much of that loss as of May's end. However, it is still too early to gauge its longer-term impact as uncertainty associated with the virus, aggressive deficit spending, and the US elections remain wild cards in our opinion. Both manufacturing and consumption were meaningfully impacted given the stringent lockdowns over the past several months, causing severe disruptions in supply chains and the demand side of the economy.

36 million people have filed for unemployment in this country since Covid-19 started, which equates to approximately 1 in 5 jobs lost. This level of unemployment has not been seen since the Great Depression in 1929. While some of the employment losses were directly associated with the shutdown and will return once the economy opens, others may be more permanent. Given the situation, it may be too early to have a clear picture of its implications on consumption over the longer term. We do believe April may have been the worst in terms of reported economic data. A rebound over the next month or so is possible before we see a more normalized picture of where the economy is headed a few quarters down the lane. With elevated risk and uncertainty, we are comfortable staying defensive until we have more clarity on the broader picture.

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