



# Financial Market Review

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MAY, 2020

# Economic Review – Year-to-date 2020

- ❖ After a promising economic/financial market start to 2020, the coronavirus global pandemic brought a dramatic halt to both, as governments around the world put “shelter in place” orders in effect. The U.S economy began sliding into recession.
- ❖ As the economy slowed and businesses began to close, unemployment rose rapidly and 20 million+ workers filed for initial unemployment claims by the end of April. This ended a string of 113 consecutive months of employment gains and a historically low unemployment rate of 3.5%.
- ❖ Additional effects of the global “shut down” impacted the price of crude oil (-70%), lowered the outlook for corporate revenue, earnings and dividend growth, caused significant financial market volatility and a steep drop in equity prices.

## In Response

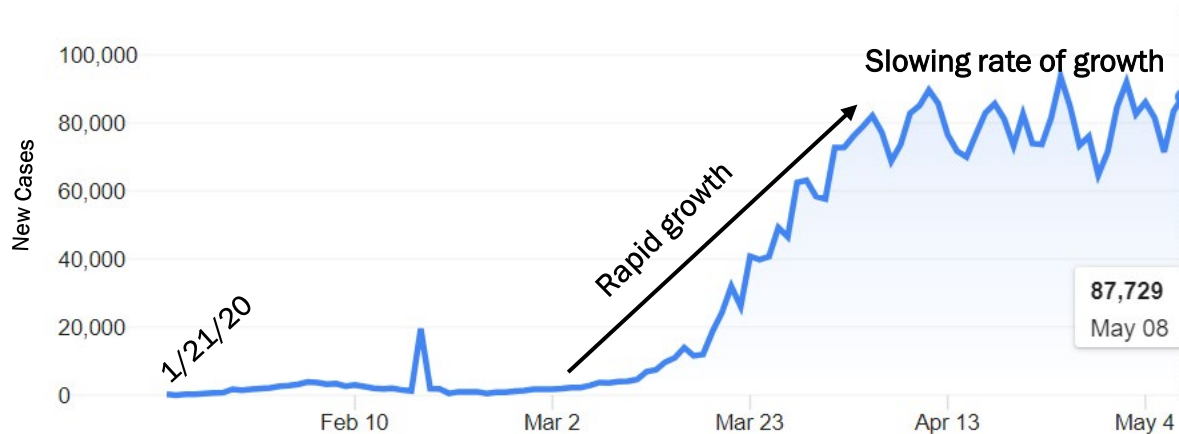
- ❖ The U.S. Fed (and global central banks) aggressively cut already low interest rates to 0%, and Congress enacted the \$3 trillion CARES Act to help protect families and business from the most debilitating effects of the sharp economic slowdown.
- ❖ The CARES Act, the largest economic relief package in history, provides loans and grants to businesses, direct payments to individuals, expanded unemployment benefits, direct aid to states, and special grants to health providers.
- ❖ With the CARES ACT in place, and more economic stimulus likely to come, expectations for a moderately rapid economic recovery (4<sup>th</sup> Qtr, 2020) are anticipated. This anticipation assumes a successful, gradual “re-opening” of global economies, but is also dependent on success controlling the virus.

## The Result

- ❖ As a result of the critical responses described above, the equity markets have rebounded strongly from early declines and the optimism for economic recovery is increasing gradually – though not without “pain”.



## Daily New Coronavirus Cases\*

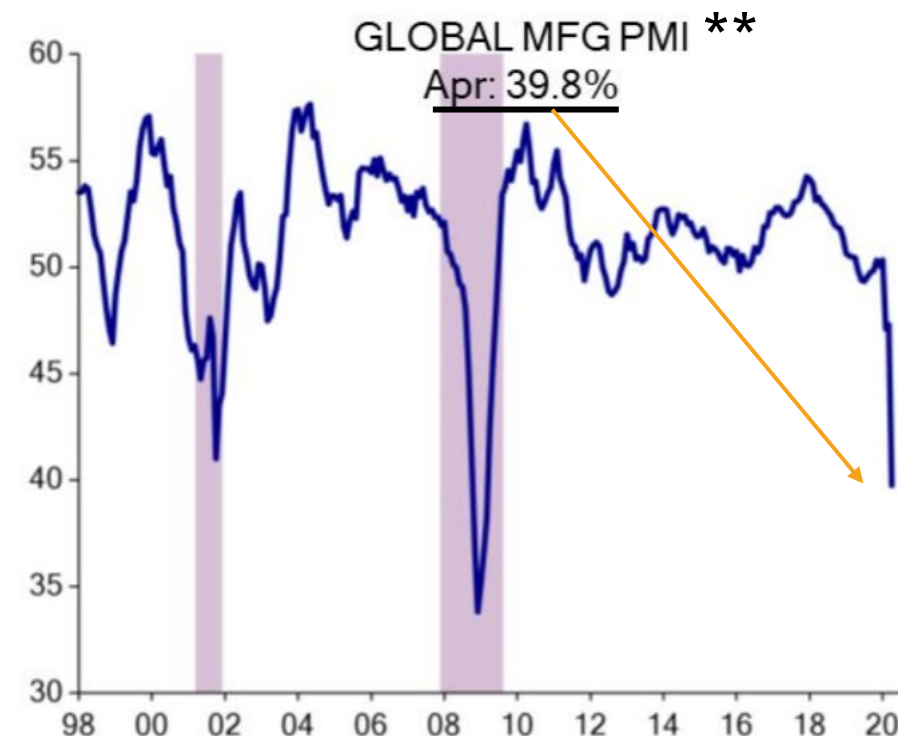


- Rapid growth of the coronavirus causes global pandemic.
- Response to mitigate virus growth is voluntary economic shutdown.
- Economic shutdown causes loss of jobs, financial market volatility, collapse of oil prices, declining corporate earnings, & general uncertainty.

### WHAT NOW & WHY?

\* Source: Worldometer 5/8/2020

## Global Economy Has Been In *Free Fall*



\*\* Source: Evercore, ISI; an index based upon the results of surveying U.S. & non-U.S. Purchasing Manager's outlooks for future business activity. PMI Index Y-axis; years 1998 – 2020 x-axis

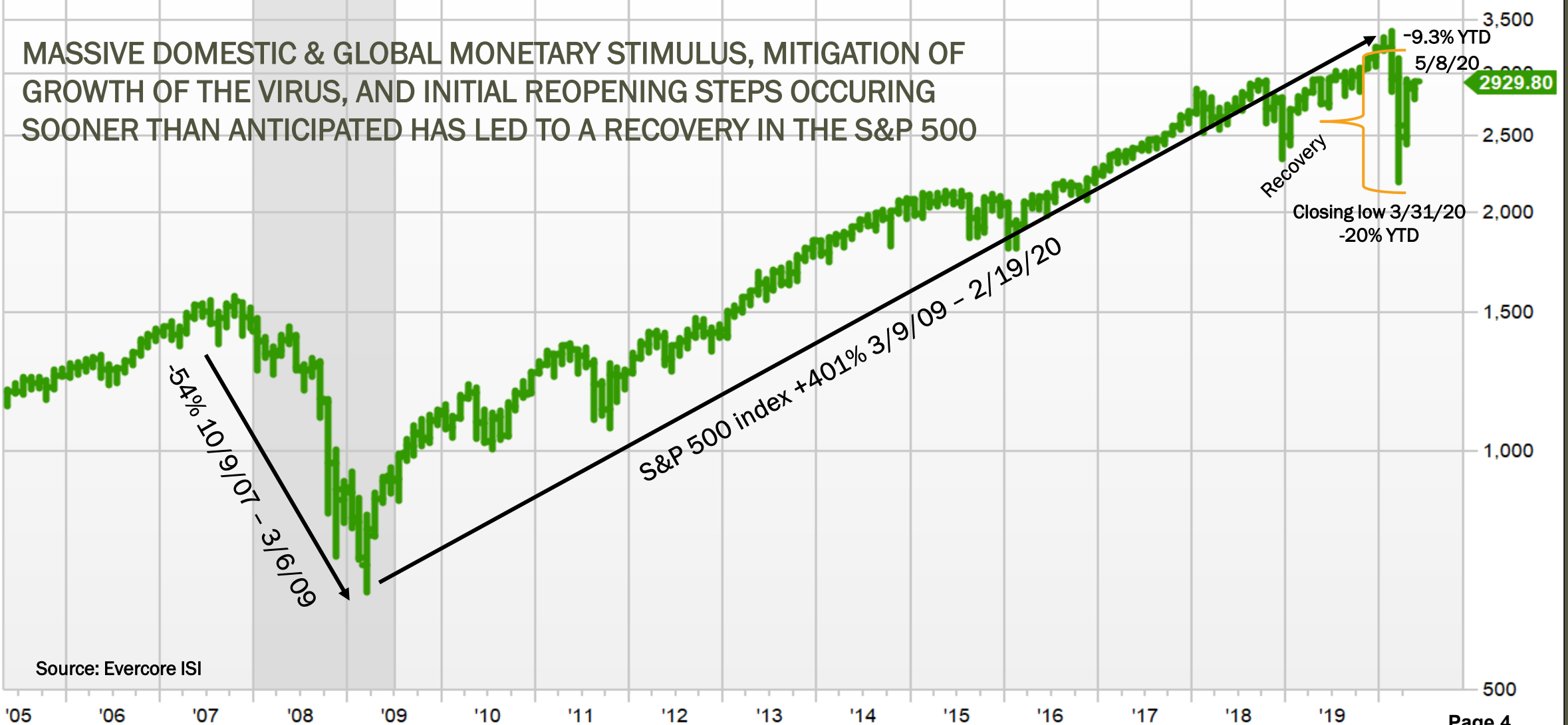


## S&P 500

2929.80 48.61 1.69% 4:10:02 PM VWAP:

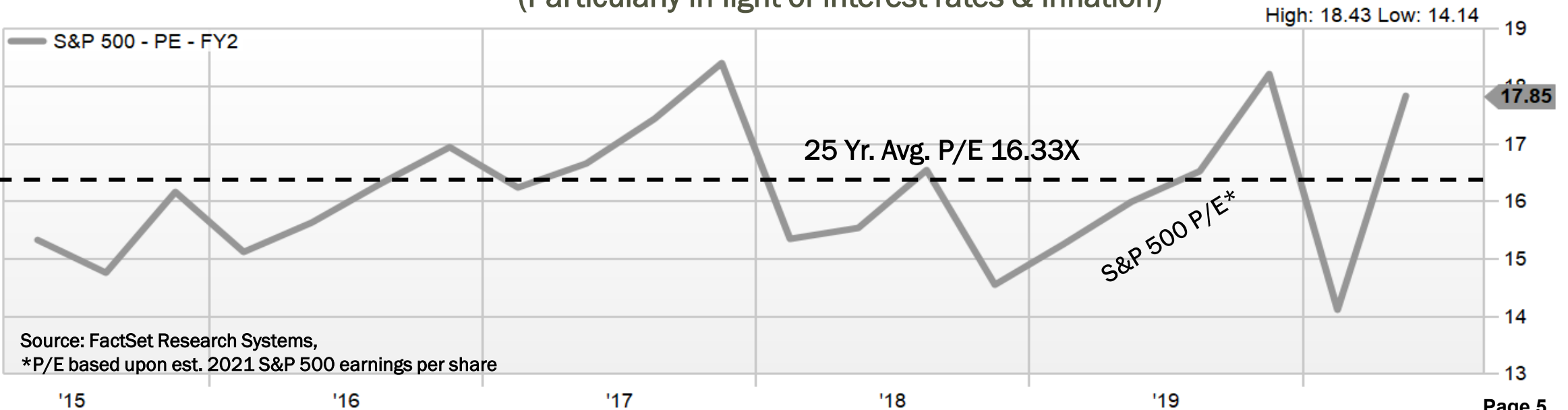
High: 3393.52 Low: 666.79 Chg: 145.89%

■ S&P 500 - Price ■ Recession Periods - United States



## S&P 500

2929.80 48.61 1.69% 4:10:02 PM VWAP:

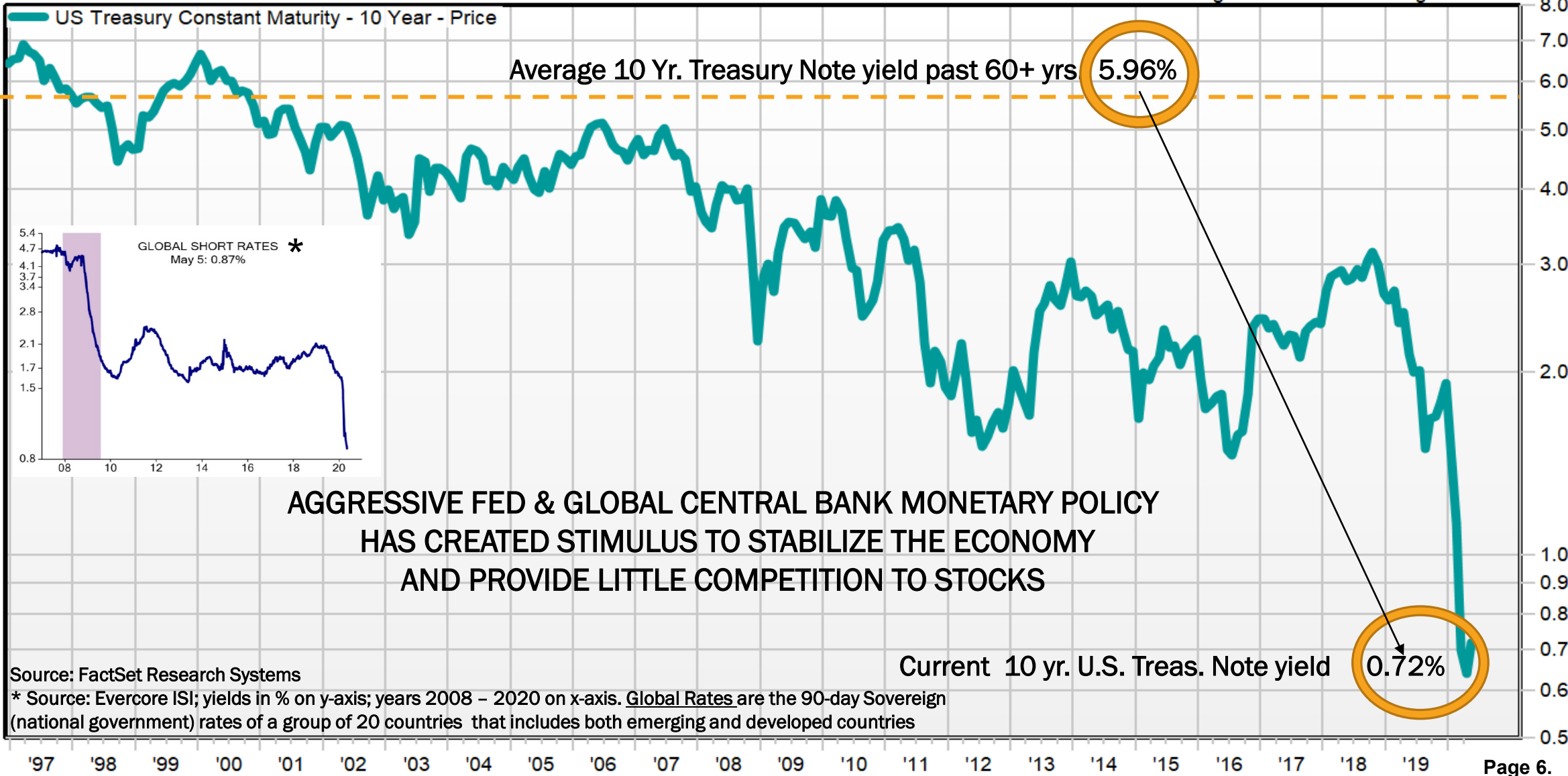


## US Treasury Constant Maturity - 10 Year

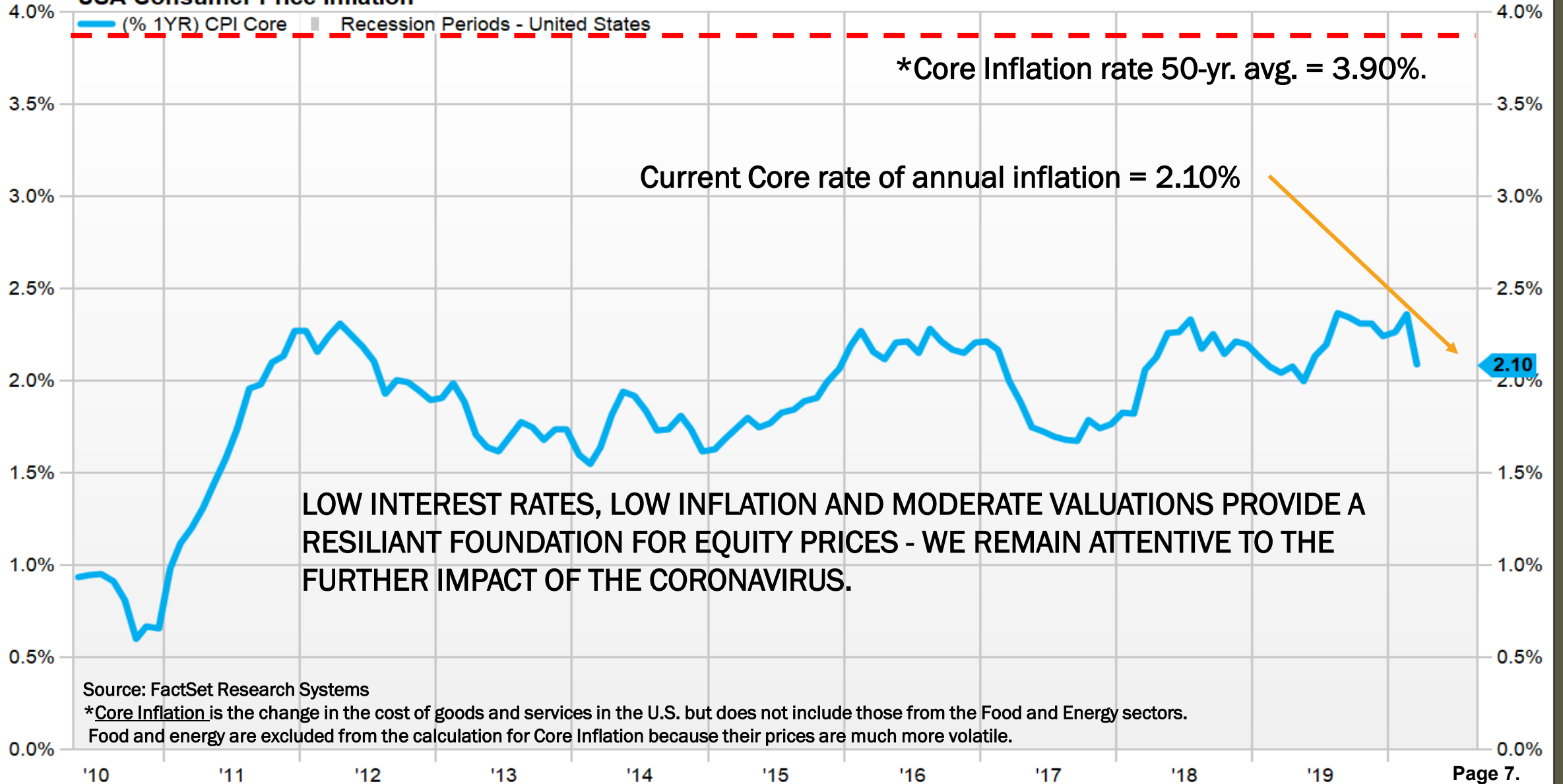
0.72 0.06 9.09% VWAP:

Monthly

High: 6.92 Low: 0.64 Chg: -88.80%



## USA Consumer Price Inflation



## ACTIONS REQUIRED TO RESTORE ECONOMIC, MARKET & PSYCHOLOGICAL CONFIDENCE

- ✓ Virus cases stabilize and begin to decline. (New York, Louisiana, Washington, North Dakota, *non-U.S.*)
- ✓ Pharmaceutical/Biological solution discovered. (Clinical *trials taking place; Gilead, J&J, University of Pgh.*)
- ✓ Major economic stimulus programs enacted. (\$3T *CARES Act of 2020 to Indiv. & businesses; more likely*)
- ✓ Unified U.S. Government response in place. (*Becoming more evident, but challenged by states*)
- ✓ Coordinated global response in place. (400+ global economic stimulus measures in the past 9 months)
- ✓ Financial market volatility moderates. (Moderating factors beginning to appear)
- ✓ “Climactic” media coverages lessens. (*Not likely in the near future – “fear sells”*)
- ✓ Evidence that initial economic re-opening steps are successful and without virus reoccurrence, so that economic activity can expand. (“Green shoots” are beginning to appear as states open; economic activity starting to resume)

Change & Progress Will Be Monitored



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