Weekly Market Review

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The Week Ending April 4, 2020

The worst quarter since the Global Financial Crisis came to an end last week with the S&P 500 Index falling 20% in the three months ending March 31. The first few days of the second quarter were a continuation of the first, with volatility being the keyword. With the lag of economic data, it will take months, if not longer, to know the true impact on the economy. A WSJ article over the weekend estimates at least one-quarter of the U.S. economy has come to a halt, and with more uncertainty over the near term, more negative data should be expected.

The March jobs report was released last Friday, and even though it got quite a bit of attention, it really did not tell us much. Jobs report data is as of the middle of the previous month, so March's jobs report was from mid-February through mid-March, before the country went into lockdown. It did show some job losses, but nothing to the extent we are currently experiencing. Weekly jobless claims continue to be the most up to date data point, and for the second week in a row, a record was set. Last week, 6.6 million workers filed for unemployment benefits, doubling the prior week's 3.3 million claims. Over the past two weeks, nearly 10 million people have filed for unemployment benefits. For comparison, 2019 saw 11 million people file claims for the entire year! It's incredible to think about the magnitude of job losses in such a short period of time. Look up a chart of weekly jobless claims; every recession dating back to 1967 now looks like nothing but a blip. These unprecedented times make forecasts almost meaningless; at this point, the outcomes are almost limitless.

Moody's analyzed the decrease in recent economic output by looking at closed businesses around the country, comparing the sudden closing of businesses to 9/11 rather than the Financial Crisis. So far, we have experienced a decrease in economic output of about three times greater than post 9/11. Unfortunately, it is difficult to find positives to point to in the short-term. Over three-quarters of U.S. counties are on lockdown, 90% of the hotel industry is closed, and restaurant output has decreased by about 75%. Whether it is from a financial, economic, or health perspective, the situation will probably get worse before it gets better; however, this is not the time to panic. It's crucial to maintain a long-term outlook and have trust in the process. We will get through this. There may be a few more speed bumps along the way, but the long-term outlook is still positive.

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