

"Cup of Joe"

"It's crazy how fast things can change." Since our last update, the market has recovered mightily, virus curves are flattening, states are starting to open their economies for business and the daily onslaught of bad news is starting to turn positive. And, for once, we want to provide an update while this positivity exists to not only provide hope, but to show that the light we spoke of at the end of the tunnel is starting to appear.

Where are we today in terms of the economy, the markets, and society as a whole? Let's first say one thing for everyone to understand and remember: The economy is not the stock market. It's very hard for some to realize how a market can do so well when millions are without jobs during our first global, economic shutdown from a pandemic. The reason is simple - the market is forward-looking. We money managers all want to have our assets invested in companies that will do well once things have recovered. **If we wait, we will end up buying high!** As I've mentioned before, 90% of the value of the stock market is based on a time frame of more than a year out. That leaves only 10% of the value looking at what we are currently experiencing, an economic shock no one has ever experienced in their lifetimes. And we believe that when the Federal Reserve made it clear that they would backstop the economy from collapse (by printing as much money as it would need to support a recovery), it would therefore be proactive in keeping our nation from going into a depression, and the market took a giant sigh of relief and began to look forward. The stock market always sells first and asks questions later. It's just the way it is, and this was no different. The worst-case scenario was baked in and FAST, 20% down in weeks, not months. As history tells us, the faster a market declines, it usually recovers equally as fast.

In the last month, the stock market has rebounded quickly and ferociously. As I was pointing out to a client the other day, it took 5 years for the market to recover in 2008. The S&P 500 is only down about 3.5% year to date. Drinking from my glass half full, I'd say that is pretty good! The virus curves have begun to flatten. And recently, China's exports surprisingly beat to the upside, and by **"A LOT!"** This was great news, showcasing that global demand still exists. The recent payroll data also came in better than expected, with some economists already saying the recession is over.

Moving forward, we realize that these next few months will be telling. With the opening of economies around the world and a return of some normalcy, there may be a resurgence of the virus. This is pretty much a given. Operating under extreme caution is warranted, not only in our investment management, but in the way we live our lives. But, even under the umbrella of this ever-changing world we now live in, we are extremely optimistic of what the future holds.

I was describing this stock market the other day as a tinder box covered with wet leaves. As the wet leaves dry and the virus dissipates, the tinder box of economic stimulus will begin to take hold and ignite what we feel will be the next bull market. And the Federal Reserve has recently come out and said this stimulus will not go away until we are back to full employment. Right now, unemployment is down to 14%. So, we have a long way to go. That means we are living in what Ed Yardeni, a research analyst, calls **"QE 4 ever"** (Quantitative Easing or printing money). While the economy may take a while to get back to normal, remember that the economy is not the stock market. The market (money managers) knows that this stimulus exists. It knows the virus will eventually go away. It knows there will be incredible, pent-up consumer demand (I don't know about you, but everybody I know is ready to get out of the house and spend!). And it has 2008 to look back upon for a guide of how this stimulus will impact markets. An 11-year bull market just ended and a new one is beginning. And sipping from my eternal "glass is half full" again, the pain from this collapse may be very short-lived. We aren't talking a 5-year recovery. We could be looking at all-time highs by the end of the year with interest rates at 0%, low gas prices, trillions of dollars of stimulus and above all, **a consumer that badly wants to go outside!**

To all of our clients, we hope everyone is safe and sound. We thank you for listening to our advice during these crazy times and trusting that we are here to guide you to a better financial future. Please be kind to others and help those in need. We are all in this together!

Some important things to remember…

- If you have retired and you and your spouse do NOT have earned income anymore, you are no longer allowed to contribute to an IRA.
- Tax Returns will be due on July 15th. Please do not forget.
- Joe Codrick is no longer using his jcodrick@comcast email and will be shifting all email correspondence to JSC@CHAPELHILLINVESTMENT.COM

-Joe, Ryan, and the Chapel Hill Investment Team

CONTACT US

jsc@chapelhillinvestment.com
rmc@chapelhillinvestment.com



SHARE THESE LINKS:

https://www.cnbc.com/2020/05/26/whartons-jeremy-siegel-new-stock-market-high-this-year-a-real-possibility.html

https://www.forbes.com/sites/robinseatonjefferson/2019/10/11/mayo-breast-cancer-vaccine-could-be-available-in-less-than-a-decade/#56bf7f8827c7


BE
INTERESTING.

Friend on Facebook | Forward to a friend

Chapel Hill Investment Analysts, Inc.
126 Mathews Street, Suite 1600 | Greensburg, PA 15601
P: 724.830.2600 | F: 724.830.2795
www.chapelhillinvestment.com

Copyright © 2015 Chapel Hill Investment Analysts, Inc., All rights reserved.

unsubscribe from this list | update subscription preferences

This email was sent to <<Email Address>>
why did I get this? unsubscribe from this list update subscription preferences
Chapel Hill Investment Analysts Inc. · 460 Mathews Street · Greensburg, PA 15601 · USA

mailchimp