



Weekly Market Review

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The Week Ending May 1, 2020

Coming off the worst quarter in over a decade, the S&P 500 just posted its strongest month since 1987. This happened amid 30 million people (in just six weeks) filing unemployment claims, declining economic data, and human suffering from the COVID-19 pandemic.

First-quarter GDP was released last week, giving us the first look at how severe of an impact the COVID-19 induced global shutdown is having on the U.S. economy. GDP contracted 4.8% in the quarter, but this did not tell the whole story. The first quarter was not all bad; January, February, and the first week or two of March were, in fact, pretty good. This decline is focused on the last few weeks of March, and to no one's surprise, consumers were the largest contributor to the decline. Consumers make up almost 70% of the U.S. economy, so when service sectors shut down almost overnight, and the only purchases made are on essential items, online orders, or take out from restaurants, that sector is going to take an immediate hit.

Consumption alone decreased over 7% in March, and this was boosted by consumers buying in bulk as lockdowns began later in the month. Credit card data shows the drop off in March continued through most of April, so more weak data is in store in the coming weeks. With states beginning to reopen in May, we should be at or near the inflection point and moving into recovery mode as people get back to work, and consumers reemerge from their homes and begin to spend money again.

Much of April's rally was on the heels of positive clinical trials to treat COVID-19, hopes of states reopening, and trillions of dollars in spending from the Federal Reserve and Congress. Even when the first-quarter GDP was released and put an official ending to the over a decade-long economic expansion, the stock market was in positive territory. At the same time as GDP's release, Gilead announced positive results for their drug to treat patients suffering from COVID-19. The stock market ignored the GDP results and focused on nothing but the positive test results from Gilead. Perhaps this trend begins to change in May as state-by-state reopening becomes a reality. Nevertheless, this is a time to remain disciplined in your long-term financial plan. No one knows what the next couple of months will hold, but we remain confident the long-term picture remains strong. As Warren Buffet stated over the weekend, "nothing can basically stop America."



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