

Hopeful

Hopeful - about progress against Coronavirus, about economic recovery, about financial market improvements. Reasons to be hopeful have emerged on all fronts, medical, economic and financial. Determining if reasons are sustainable remains challenging. Challenges reflect the unprecedented nature of much that has been experienced in recent weeks. The very nature of the Coronavirus remains somewhat unknown let alone the efficacy of medical treatments. Experience is limited for judging the impact of such a sharp and complete economic contraction on the subsequent recovery. A look at some important trends can provide perspective and implications for investing in the current environment.

Q PERSPECTIVE

Coronavirus is the culprit and progress against its containment and ultimate demise remains key to restoration of ways of life and standards of living. COVID-19 cases in the U.S. remain on the rise as shown in **Chart I**. Daily increases do appear to have stabilized. Close attention is given to the development of therapeutics and vaccines. Until such treatments are realities, testing, tracing and good health habits (social distancing, face masks and sanitation practices) are the primary preventatives. The continuation of good health habits will be a hopeful indicator that COVID-19 trends can improve as economic activity reaccelerates and person-to-person interactions rise.

Recent employment data was surprisingly favorable, catching off-guard even professionals who monitor it closely. The data gave hope to more a V-shaped economic recovery than had been expected. That forecasts for this data were so far off indicates uncertainties as to economic conditions at this time let alone in the future. **Chart II** shows forecasts of quarterly real U.S. economic growth into 2021. Forecasts for the current quarter and next quarter have shifted dramatically in each of the past three months. At this time, the consensus forecast is for a robust recovery next quarter. Even the low average forecasts now indicates a modest gain. As a result, the expectation is for a deep but short recession with sharp immediate recovery and then steady growth into 2021. Even as the current quarter decline has deepened, a more hopeful outlook beyond the Coronavirus recession has evolved.

A meaningful recovery has occurred for the U.S. stock market as shown in **Chart III** for the Dow Jones Industrial Average. The Average again has pushed above the 27,000 level, standing only 8% below its all-time high. There are two other positive developments. Daily price volatility remains high relative to longer term averages but has retreated from the extremes of March and early April. In addition, stock gains have broadened more recently beyond a narrower group of companies seen benefitting from the Coronavirus impact. A robust recovery, lower daily volatility and broader participation are hopeful signs that March lows may have been the bottom for this cycle.

INVESTMENT IMPLICATIONS

Recent medical, economic and financial developments provide reasons to be hopeful in the period ahead. Sustainability of gains to date will be determined only with the passage of more time and with needed additional progress. As such, it is a time for exercising some caution while continuing with sound healthcare and financial practices. Basing investment decisions on sound principles is important as ever, starting with clear goals, known time horizons and tolerance for risk at this time.

CHART I

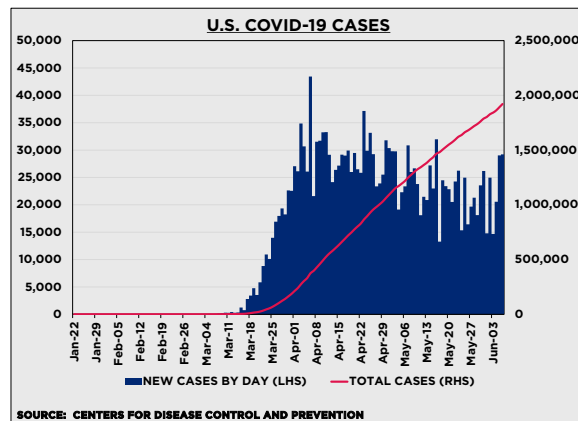


CHART II

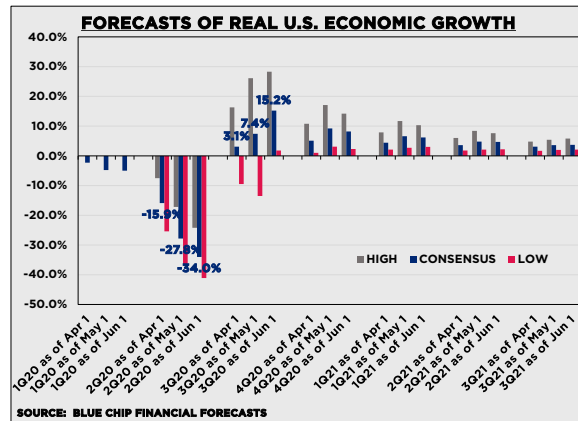


CHART III

