Market Review

June 24, 2020

Market Commentary

The unprecedented fiscal and monetary policy responses to the global lockdown was necessary and stabilized both equity and bond markets. From an economic standpoint, the second quarter will mark the trough. As economies reopen, reported data, measured in percentage increases, will improve significantly going from virtually no activity to some activity. More importantly, how quickly this improvement translates into a revival in consumer and business confidence and job growth will influence the shape of the recovery.

Notwithstanding the various assistance programs available to consumers and businesses, the longer the economy remains in a recession, the higher the potential for permanent structural damage to be inflicted. According to Fed Chairman Jerome Powell, a vaccine will likely be needed for the economy to recover to pre-crisis levels. In the meanwhile, the U.S. Federal Reserve remains committed to do whatever it can for as long as it takes to support the economy and to limit lasting damage to the economy.

The direction of stock markets will largely be driven by the course of the virus and medical developments. Rising U.S./China trade tensions and the U.S. election are also events that bear close monitoring. With volatility remaining relatively high, we expect heightened sensitivity to news flow. Long term investors should be patient and use pullbacks to invest in financially sound income and growth stocks.

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