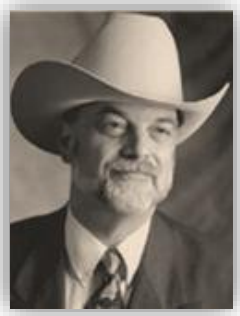

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The markets were closed in observance of Good Friday, a traditional day of mourning, but in the midst of what is shaping up to be the biggest economic crisis in memory, the short-term market values are delightful and even the intermediate values are anything but terrible. The S&P 500 Stock Index (SPX) our preferred market indicator, rose an astonishing 12% over the week to turn in the best week since 1974 and closed at 2789.82 on Thursday, making Good Friday look more like Easter. The SPX is still down 17.61% from the market top of February 28 but is up almost 24.7% from the bottom it hit on March 23. It is also still down 13.7% year-to-date and down 3.41% from this time last year.

Our concern here is that the market may be ahead of itself. Sure, we are reading about corporate CEOs buying stock with gusto and the manager of a hedge fund that saw this crash coming and made $2.6 billion on the crash is also apparently buying blue chip stocks with the proceeds, but such behavior is far more rational than we have seen in past bear markets. Either it really is different this time, or we are going to see some negative reaction when the reality of the actual economic situation hits the headlines. We are hoping for the former but keep your seat belts fastened for the latter.

The 10-year U.S. Treasury note yield inched up a tiny 4.6/100 of one percent for the week to end at 0.729%. With the 90-day T-bill at 0.231%, the Treasury yield curve actually got a bit steeper and is forecasting a perhaps muted economic recovery in a year to 18 months. Like the stock market, the oil markets were closed on Friday and thereby did not reflect the agreement across OPEC and with Russia to cut oil production. West Texas Intermediate (WTI) closed on Thursday down 21.52% for the week at $22.76. The supply problems will remain even with the cuts as the reduced level of pumping as supply will still exceed the global demand for oil and there are millions of barrels of excess oil in storage across the world. Oil in storage does not keep forever, so it will need to be sold off before we can see prices return to a level that does not spell bankruptcy for many oil companies and in some cases, oil producing nations.

The Economy

The loud "bang" echoing across the globe you may have heard on Friday was the collective head-slap by the leaders of Saudi Arabia and Russia as they realized their price war wasn't hurting anyone as much as it was themselves. Unfortunately, the realization that crushing the global price of oil in the midst of a pandemic was not a bright idea may have come a bit late. Small to midsized oil companies in the US may go under, but the Russian economy is in real danger of once again collapsing as it did in 1998. The United States and the World Bank jumped in to help in that crisis but are likely to be reluctant to do it again given that Russia is under international sanctions for its invasion and annexations of Crimea. That whole problem may seem far away, but Russia still has a powerful military and if faced with collapse, might decide to use it.

We are reading and hearing a lot of optimism that the "peak" of the coronavirus infections and death rates may be in sight. That has already led to calls for reopening the U.S. economy. Historical pandemics tell us that may be extremely unwise. In our opinion this won't be over until we have an effective vaccine and the vast majority of the population is inoculated or immune to the virus.

Every major pandemic in history has had at least two and usually more waves. Often the second and third waves are worse than the first. We, here in the United States have done a commendable job of flattening the curve so far but a stark decision stands before us. It is only because we have effectively shut down about a third of the U.S. economy that we have not seen mass deaths other than in the areas around New York. Keeping the economy throttled back this far is devastating many people's lives economically but opening up again will trigger the second wave. The virus is still among us and no one who has not had it is immune. We were late in doing social distancing in New York and the effects there are appalling. We strongly suspect that any resumption of economic activity without tight controls will be disastrous. A tightly controlled opening will not get us back to normal but a full "all clear" signal may be far worse. Hard decisions lie ahead.

Our advice is to be prepared for things to remain economically bumpy and generally unpleasant for at least the second quarter and quite possibility well into the third quarter of the year. We continue to believe that the relief rally that hits in late 2020 or 2021 will be amazing as we climb over the rubble and begin to rebuild, but this fight is far from over. Hang in there and be aware that the virus is still out there waiting for us to come out of hiding.

Until next week we look forward to a better time ahead and eventual full recovery with the best yet to come.

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