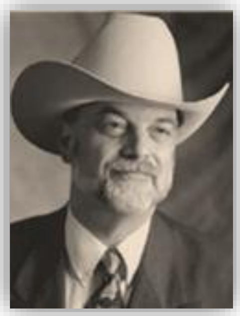

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An SEC Registered Investment Adviser

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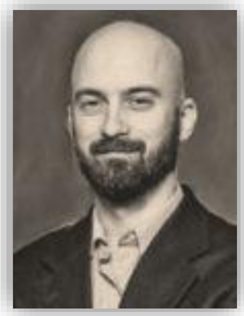

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May 8, 2020

TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index definitely showed that it was in a spring mood for the week ending May 8 as it rose another 3.5% to close at 2929.80. That weekly close leaves it down only 9.32% year-to-date, and still down about 13.5% from its all-time high back in February but up an almost unbelievable 31% from its bottom on March 23. There is no official definition of when a bear market ends, but this bear looks more and more like the shortest-lived version of the ursine species yet on record. Its rise of about 1.7% on Friday was one of the odder events in this oddest of bears. Seeing the U.S. unemployment rate reported at the highest level since World War II and a market rise of that extent on the same day seems like something out of "Through the Looking Glass" rather than the annals of the stock market. Today's bump also put the NASDAQ with its flock of smaller and high-tech companies into positive territory for the year, up 1.66% since the beginning of January.

The yield on the ten-year U.S. Treasury note while not exactly joining in the party, did show some spring in its step as the yield rose about 13.5% for the week to close at 0.687%, confounding the speculators who have been betting on negative interest rates. The rates continue at astonishingly low levels but given that caveat, continue to generate a relatively smooth positive curve, suggesting better times ahead. As a reference point, the German 10-year bund is yielding a negative 0.532%.

West Texas Intermediate (WTI) crude oil posted a stellar week, rising well over 25% to close out the week at $24.66. The word on the street is that as the states ease lockdowns and people start driving, the demand is rising. The Saudi's also appears to have abandoned their price war and raised the prices charged for Arab Light oil to $25.55 from its recent low of about $12 per barrel.

The Economy

The headline announcement of a 14.7% unemployment rate in the United States in any other time would have been an atomic blast in the markets but this time around, it was just another outdated and likely inaccurate number. The numbers that went with it were the tell. The Labor Department officially stated that there were about 20.5 million people newly out of work in the U.S. but the combined filings for unemployment during the last month exceeded 30 million. The reason for the out of sync numbers is that the monthly unemployment report ended its data gathering on April 18 and its definition of an "unemployed" person includes a requirement that the person has been actively looking for work for the previous several weeks. In the midst of the coronavirus lockdowns, the newly unemployed generally have not been knocking on doors trying to find new work. The result was that at least 9.9 million persons were noted as out of work but not officially "unemployed" as they were in lockdown and not looking for new jobs.

We have written before about the reality that this crisis will not be over until we have and have distributed an effective vaccine. Still some signs of a muted recovery are visible. The noise level from nearby I-35 is nearly back up to its pre pandemic levels and the parking lots of the big box stores appear to be full. The risk is that as people get out and about the viral infection rate will balloon as it has in previous pandemics. All we or anyone can do is wait and watch. Economically, there will be a delayed reaction as bankruptcies soar and employment continues to fall during the second quarter. As we have written before, the best estimates suggest a leveling off in the third quarter and recovery getting underway in the fourth.

As for when we are likely to see an effective vaccine and have it in use to the point that we can resume normal activity, the Mayo Clinic may have the best guess. They are suggesting that the earliest we are likely to see an effective vaccine is six months after the first clinical trials start. Several trials have recently started, so the clock is running, meaning we may see an effective, probably multi-dose vaccine, ready to start production sometime around October. Several months, at a minimum will be required to create sufficient doses for an effective program and it will take time to distribute and vaccinate 300 million Americans. Even then it probably will be a month or more after the initial vaccination for any given person before they have immunity. Sadly, the optimistic view is that we may be well on our way to a large-scale vaccination program by late next spring, a year from now. That is not pleasant news, but it would be an astonishingly short time from disease identification to immunity, far shorter than any we have seen in history.

Until next week, we remain focused, ready, and willing to manage your portfolios, answer your questions, and provide the service you need to keep on moving forward. Take care of each other, stay safe, and don't let your guard down!

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