

Market Outlook:

Cratering

The markets reacted predictably, and violently, last week to a slew of economic data, including a continuing expansion in the unemployment figures. Tens of thousands of workers are being laid off or furloughed, millions more are permanently out of work. Clearly, the global recovery is stagnating and the reason is an inability to control hotspots and outbreaks of the Corona virus. But the issues that govern market responses are larger and more pronounced than the immediacy of weekly data. Long before we arrived "here" there were underpinnings indicating that confidence was waning and valuations were bloated.

More succinctly, history creates seminal periods and moments in which the impact of current events becomes indelibly etched upon our brain. Everyone remembers where they were when the Twin Towers fell on 9/11; what they were doing when President Kennedy was assassinated; the horror of the fateful attack on Pearl Harbor. Similarly, no one will forget the psychological, medical, and economic impact of the past 8 month's "once in a lifetime" global pandemic.

Without exaggeration, the current effects of our economic and political situation have altered behavior and perceptions inexorably.

The loss of norms and structure affects the sustainability of economic priorities, many of which were the foundation of confidence and direction within global markets for generations. Not only is the current decline in valuations a shock to our system, it is a manifestation of underlying inequities that defined corporations, government, and social institutions during our lifetimes. When those values are shaken, behaviors and beliefs are robbed of their legitimacy.

And yet, while those "norms" are being questioned, our quantitative data analysis also sees an historic economic and social opportunity to hit the reset button, to innovate structure and custom, to reshape capital gains opportunities for decades ahead.

It is true that we are currently in the throes of a short cycle capitulation. Despite the value "hawks" who swoop in to buy almost any security in distress, there is noticeable deterioration in relative strength integers throughout the sector landscape. This is because of intense levels of anxiety about corporate profitability and consumer spending. I won't say the breach is "unprecedented", but we must go back to last century's Great Depression to find comparables.

Recovery

The interruption of capital flow and consumer confidence explains only *that* a recession occurs, not *why*. We observe that even as fiscal stimulus and monetary policy is directed at the public, until the pandemic/disease is contained or eradicated altogether there is a high probability that uncertainty will persist. More disturbing, though, is that the gaps between those directly affected by economic dislocation and those who are not is widening. The percentage of the population teetering towards poverty is expanding while the wealthy have "benefitted" mightily from the Summer's stock market rebound. In addition, brand name companies are closing stores, going into bankruptcy, or laying off employees in record numbers. The economy appears to be in a tenuous position.

Further, the lack of correlation between the virus and "wealth" is the great equalizer. Deadly diseases are nondenominational, regionally agnostic, and politically neutral. No matter one's financial station, they are not immune from sickness or death. I wrote about the *definition of wealth* in this month's Quarterly commentary....how the accumulation of financial assets does not necessarily, or sufficiently, define a household or corporation's health or well-being. But, clearly, as the disparity between those who have "money" and those without grows globally, the future ramifications will exacerbate a dilemma and must be considered as economic and social obstacles.

Traditional avenues of wealth-creation are being eviscerated and exposed as unfair by the virus crisis. Now is the time to think about innovation, social inclusiveness, economic revitalization, and political reason. The poor, the hungry, the socially disenfranchised and, yes, the wealthy will depend on these new "laws" of commerce.

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