



CONWAY • JARVIS LLC

Investment Outlook

Volume 30 Issue 1.8

May 22nd, 2020

Update

A Week Light on News, Heavy on Speculation

This week started off with Monday's 3+% advance of stocks courtesy of headlines regarding the development of a vaccine and a pledge from the Fed of further stimulus. It was a week bereft of actual economic data and substantive news regarding testing or a vaccine. That left investors with shorter investment horizons to trade on the noise. That served to push the upper boundary of the current trading range a bit higher before seeing the indexes tread water going into the long weekend. In the absence of real news regarding the reopening and the virus, we're content to watch the indices move higher on such speculation rather than act on it.

As of today, all 50 states have relaxed coronavirus restrictions to varying degrees. We suspect there will be some disappointment ahead. Just as the restrictions vary, so too will the response to news of any increase in the transmission rate of the virus that we see as the likely result. Many, like California, Washington and other states are likely to slow the pace of reopening. That will raise uncertainty as to the rate at which the broad economy recovers and the prospect of a partial retracement of the rally we've enjoyed since the March 23rd lows.

Next week, we'll be seeing data for GDP, housing, and consumer sentiment. The market will be looking for signs of a slowing in the decline of the economy. In the absence of any, investors are advised to sit on their hands while traders turn their attention to the headlines once again for news, however speculative, of any resolution to the pandemic. In the absence of real news regarding the virus, we'll remain focused on the economy. We believe that an uneven result of the reopening points to a gradual rather than a V-shaped recovery for the economy. The stock market should reflect that eventually and provide investors with an opportunity to deploy investable capital in the months ahead.

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