



Update

The Market Pendulum Swings With the Headlines

This week was light on economic data and all about a second stimulus package, or lack of one. At the start of the week the market moved higher on speculation that a compromise would be reached. It reversed course Tuesday on news of negotiations breaking down. Bad news, right? Apparently not bad enough to keep stocks from rallying ferociously higher on Wednesday even as doomsayers and aggrieved business owners paraded their outrage on the financial airwaves. A few thoughtful analysts ventured that the market was reacting to the prospect of a series of stand-alone packages that would target specific industries (airlines, hospitality) that were in dire need of support. After all, ANY stimulus is better than none.

No doubt, lack of an aid package has negative ramifications for consumption and for some segments of the broader economy in the form of unpaid rent, bills, and loan payments. As it stands now, the administration favors a rifle-shot approach in dispensing aid to targeted sectors of the economy. The House advocates a broader shotgun approach, similar to that of the first stimulus package. That earlier one reached a broad segment of the population, but unfortunately included many that *didn't* qualify. Across the nation, aid was sometimes misdirected to those not needing it while in this state hundreds of millions of dollars were lost to fraudsters. To us, it would seem reasonable to first target specific industries for aid and hopefully provide a less wasteful and more efficient result than we saw with Stimulus 1.0.

Looking ahead, we expect to see some form of a constructive response from Congress to Fed Chairman Powell's request for a fiscal policy assist. His tool chest is nearly empty, raising speculation that *open-ended* Quantitative Easing ("QE") might be the last card played if Congress dallies. Fiscal *and* monetary policy has to be engaged in concert if we are to build a pathway to fully recover lost output. We view *any* stimulus package as the second in a series of others in the future. This one doesn't have to be the *ultimate* package as advocated by some. Given the market's reaction, it would seem most investors see it the same way.

Reminder: The CARES Act of 2020 allows clients with retirement accounts to forego their Required Minimum Distribution ("RMD") this year. For those clients who still wish to take a distribution or make charitable contributions from their IRA account, please contact our office.