
Market Update - 4/4/20

Another week of uncertainty and large numbers of new COVID-19 cases in addition to unemployment claims. However, the stock market was fairly calm, relative to what we have seen in recent weeks. Since the February 19th peak, the S&P 500 Index has shed roughly 27%. That's in line with the average bear market pullback, with bear markets being defined by at least a 20% sell-off. This rapid decline has been unsettling and the fact that it happened in just over one month is unprecedented. After a bit of a rebound last week, the S&P 500 was down 2% this week. With many businesses forced to close and traffic down for the ones that are still open, it has become very difficult to predict second-quarter GDP and these forecasts have been incredibly wide. The economic uncertainty has translated into earnings uncertainty which in turn has translated into incredibly volatile markets over the past few weeks.

Policymakers aren't expecting the economy to bounce back on its own. In a way, the government is putting key sectors of the economy in a coma, as it hopes to stem the spread of the virus. When health and safety dictate, the goal is to bring the economy out of the coma. The government has taken extraordinary measures to soften the economic blow in the form of very low interest rates, stimulus checks to individuals, and support for all sizes of business. During the 2008 financial crisis, the focus was on Wall Street but the majority of the current stimulus is focused on Main Street.

In addition to mitigating some of the damage from massive layoffs, our government is trying to put a foundation in place to support a robust economic recovery. Will it work? Much depends on the duration and severity of this downturn. Here are four steps that we view as important:

1. A massive response by the Federal government and Federal Reserve. We can check that box. While continued volatility is likely, a modest rebound from March's market lows was fueled by the Fed and the \$2 trillion stimulus plan.
2. A peak in new U.S. cases and subsequent decline (we are still waiting for this but hopefully getting closer).
3. An effective treatment and vaccine (this will take some time).
4. Clarity on the economic data. What will be the steepness and duration of this? Nobody rings a bell that sounds the all-clear signal. Markets typically attempt to price in future events and the stock market will likely bottom well before the economy does.

We spend an enormous amount of time discussing the importance of your financial plan. It is a roadmap in good times and bad. It is also based on a simple premise: stocks rise more than they fall because the economy has expanded over time. We understand that what is happening is unprecedented and this breeds fear and uncertainty. But we are confident this pandemic will eventually pass, and we are confident that the underlying fundamentals of the U.S. economy remain strong. Resilience and ingenuity are part of the DNA that make up America. We will persevere and we will recover.

If you have questions, concerns, fears, and doubt, we get that. We really do. Please remember our door is always open (well, not our door in these times of social distancing, but our phone lines). Feel free to reach out by phone or e-mail anytime.

In addition, we want to make you aware of some unsettling news. Whenever there is a disaster, there are always people who prey on those who want to help. Many are fearful, many are scared, which makes many people especially vulnerable. The FTC has warned Americans to beware of potential scams. Here are some precautions to take that will keep you safer:

- Hang up on robocalls, and don't press any numbers. Scammers are using illegal robocalls to pitch fraudulent COVID-19 treatments and work-at-home schemes. Press a number to be removed from a list and you'll likely get more calls!
- Ignore online offers for vaccinations and unproven home test kits.
- Ignore texts and emails about cash from the government. Stimulus checks will be coming, but, anyone who tells you they can get you the money now is a scammer.
- Please be leery of emails that claim to be from the CDC or experts that claim they have information about the virus. For the most up-to-date information about coronavirus, visit the websites of the CDC or WHO.
- Malware and phishing scams are on the uptick. Legitimate companies will never ask you to verify usernames or passwords via an email. Fraudsters will.

- Do you see misspelled words or grammatical errors? That's a sure sign that the official-looking email originated from a suspicious source.

Thank you, stay safe and enjoy the weekend.

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