

While Canadians were celebrating Victoria Day with fireworks, global equity Markets were busy celebrating in their own way, posting gains of 3% or better. Progress on a vaccine from pharmaceutical leader Moderna and positive statements by Federal Reserve Chairman Jerome Powell who said that “the central bank will continue to support the U.S. economy for as long as necessary” combined to send Markets higher.

Morgan Stanley predicts a “V” shaped recovery for the American economy, a position echoed by well-known economist Art Laffer [<here>](#). Laffer is best known for his supply-side theory that quantifies the relationship between tax rates and the amount of tax revenue collected by governments. This shows that cutting tax rates can actually *increase* total tax revenue -an idea entirely alien to governments in Canada. Laffer correctly describes equity Markets as unbiased, efficient forecasters of the direction of the underlying economy. Indeed Markets are the proverbial canaries in the coal mine and are leading, not lagging indicators. A move of this degree to the upside today, portends well for the economy going forward.



“It’s fine to discover cures, but, remember, chronic conditions are our bread and butter.”

We don't know for sure of course, and what we are left with is economic data that is conflicting and incomplete. Notwithstanding, the dramatic comeback of the bell-weather Dow Jones Industrial Average from its low Of 18,200 set on March 23rd, to its close today of 24,600 needs to be acknowledged. As stated before in previous Daily Reports, equity Markets are the collective view of all investors. So the recovery in Markets can be understood as investors believing that a similar economic recovery will follow.

We’re still 5000 points from where Markets were back in February, but we're half way back. A vaccine remains elusive and it needs to be said that the fastest a vaccine has ever been developed is 4 years -so the 18 month number repeated over and over is unlikely and unrealistic. That said, countries and economies are reopening and life is starting to return to some degree of normalcy. Hope And Faith are being rewarded, as are investors who wisely stayed the course and didn't succumb to fear and panic.

Hope everyone had a great long weekend and look forward to the next one in 6 weeks -Canada Day!

Be safe, be well!

Martin
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