

On the Mend

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The Great Lockdown has clearly demonstrated that the reality of the current state of the U.S. economy and the optimism of the financial markets operate under different ecosystems. The COVID-19 pandemic is rewriting history on many different levels. Investors have experienced one of the fastest equity and credit market recoveries on record, despite the steepest economic decline since the Great Depression. The S&P 500 index plunged 34% over just 33 days before rebounding 27% during the subsequent 33 days. The markets are telegraphing that the U.S. economy has turned the corner, and the worst of the economic fallout is over. The “whatever it takes” monetary policy and fiscal stimulus should allow the economy to stabilize following historic increases in government debt and spending. The current bear market rally has been predicated on three drivers: don’t fight the Fed; fear of missing out (FOMO); and risk-takers seizing upon market dislocations. The financial markets have proven relatively immune to this once-in-a-century pandemic, and the economy will eventually be on the mend.

***SPECIAL NOTE:
We hope all of our
clients and friends of
the firm are safe and
well during these
trying times.***

Please Contact Marketing@ShenkmanCapital.com for the full letter.