

Alternate Reality

Volume 35, Issue 8 | August 6, 2020

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While the resurgence of the coronavirus is plaguing the economy, the financial markets keep testing new records. July was a prime example of this alternate reality. The S&P 500 and NASDAQ composite rose 5.64% and 6.85%, respectively. At the same time, second quarter GDP plunged at an annualized rate of -32.9%, the steepest decline since the Great Depression. Meanwhile, the yield on 10-year U.S. Treasuries contracted to 0.53%, yet the real yield fell to -0.93%, smashing the all-time low set in December 2012. The reverberations of whatever-it-takes monetary policy and record fiscal deficits are causing many distortions in the markets, such as equity valuations outpacing corporate earnings, corporations gorging on cheap debt, and a stampede from U.S. dollars into gold. New bouts of virus cases are starting to impair the economic recovery, just as the country was beginning to reopen. Without a lifeline of additional government aid, the economy may face more hurdles than originally anticipated.

***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.