

## From Brink to Boom

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*From the brink of disaster to near record levels in only 161 days! The dazzling five month rally in the equity and high yield markets continued into August. While the effect of the coronavirus on the real U.S. economy lingered, the financial markets rejoiced when the Federal Reserve pivoted to an even more accommodative monetary policy. Under this new Fed policy, interest rates may hover near zero for the next five years, and inflation may be allowed to average above its previous 2% target. The catalyst for the remarkable bull market has been the unprecedented infusion of fiscal and monetary stimulus into the morbid economy. However, once the pandemic is conquered, the massive \$26.7 trillion of government debt burden will persist. Currently, the markets continue to disregard lower real yields, higher inflation expectations, surging small business bankruptcies, a divisive election, and the unleashing of animal spirits in the technology sector. A K-shaped recovery may be the new symbol to describe the U.S. economy, but the market trajectory should be driven by the virus, unemployment, and the possible bursting of a tech bubble.*

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

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