Financial Wanderings

May 2020

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP ®
(and made even awesomer by Andrea Dickerson)

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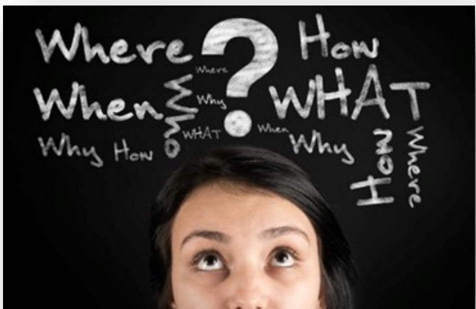
Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.

Should the stock market panic more?

Although the stock market had a good panic, with the S&P 500 dropping by more than a third over a matter of weeks, that panic is clearly over. At the moment I'm writing this, the S&P 500 is only down 15% from its all-time high, which doesn't remotely do justice to the damage being inflicted on the global economy. Here's another way to think about it. The last time the S&P 500 was at this level was less than 12 months ago, in May 2019. Back then, no one was complaining about the terrible stock market, in fact, we were celebrating. So why is the stock market still at celebratory levels in the face of the worst recession in modern history?



One reason is that as bad as the economic news is, this wasn't caused by something fundamentally wrong with the economy. So, the hope is that this is all temporary, and once we make it past the virus, we can return to normal. But that ignores the damage from the virus itself. In other words, perhaps there wasn't anything fundamentally wrong with the economy before this, but there sure might be now.

Further, isn't every recession "temporary?" The question is, how quickly will we get back to where we were? I worry the answer is much further away than the stock market seems to think.

Over the last 4 weeks, more than 33 million Americans lost their jobs. Many of those jobs should come back relatively soon, but not all of them. If we can get the unemployment rate back below 5% by the

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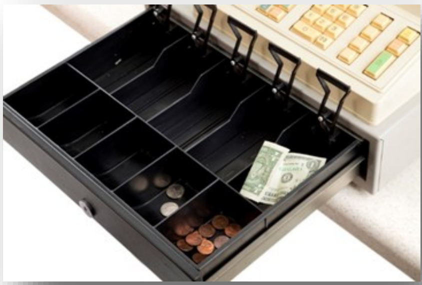
(Should the stock market panic more?…………..Cont. from page 1)

end of the year, we can all give each other hive-fives (or whatever celebratory gesture is socially acceptable at that time). Unfortunately, I worry we won't be close to that.

Businesses invest in new employees when they have strong balance sheets and are confident in the future. However, businesses across the globe just spent two months losing huge amounts of money, and our future is as uncertain as ever. What business is coming out of this looking to aggressively spend money?

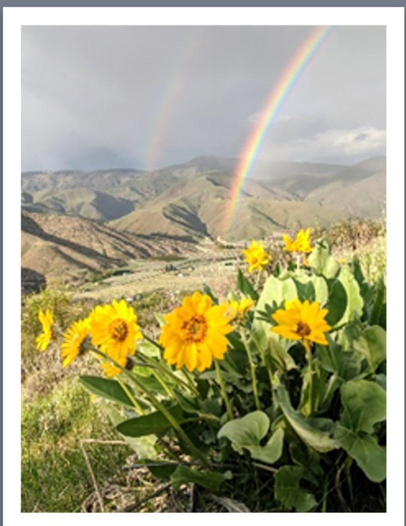


More importantly, businesses need consumers. But consumers spend when they have money in the bank, steady income, and are confident about the future. All of those things have been damaged over the last two months.

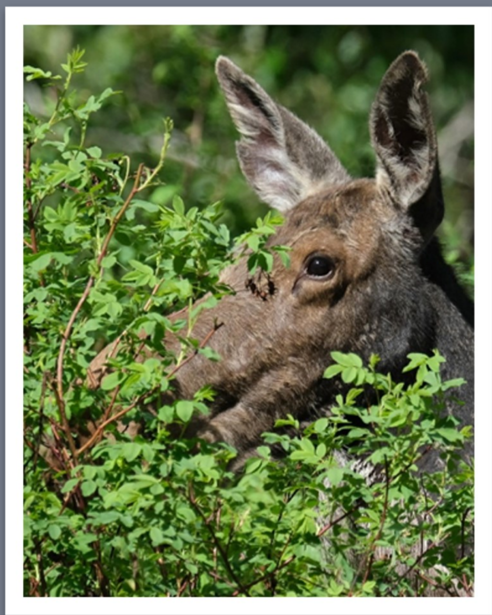
Nearly every business, family, and government across the globe is in a worse financial position than they were 2 months ago – and uncertainty is everywhere. Even in the best-case scenario, where the virus fades away in a few months, this crisis will leave a mark. Unfortunately, I don't think the stock market is taking that into account.

Probably a mountain or a lake

Rainbow over the Wenatchee Valley.



On a recent family walk, my wife, Jessica, got a close up shot of Missy the Moose, the local moose at the Horan Preserve in Wenatchee (we kept a safe distance). The day before, we caught a glimpse of this healthy coyote in Cashmere.



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