

6/12/2020 Market Volatility Like Death and Taxes, Will Always Be with Us

A Message from Chris Phelps, Advisor

Many of us have now been subject to some level of corona virus restrictions for twelve weeks now. The protests are still occurring although they generally appear to be more or less peaceful with the exception of Seattle and New York. In San Diego county, testing for coronavirus has continued with seven-day average testing positive rates maintaining at about 3.00%, which continues to be well below national averages. Hospitalizations of Covid-19 positive patients continue to remain stable in both San Diego County and California at large despite ramped up testing and more expansive reopening. Nationally, coronavirus daily new case levels are still stabilized at around 20,000 per day over the last week. Daily recoveries continue to exceed new cases resulting in active cases leveling off throughout May. Daily attributed fatalities have dropped below 1,000 per day which is well below the April averages of 2,500 per day. So, we continue to make progress against the disease.

Economic activity continues to improve as several data series we track have come off lows. Consumer and business confidence in particular appear to be rebounding, especially with respect to expectations for six months from now. The stock markets however, finished the week down with about a 6% drop Thursday on news that the Federal Reserve anticipates the economy finishing the year with a drop in GDP of around 6.5%. The pullback is not surprising considering the remarkable rebound that brought the stock market back to even for the year just a few days ago. The bottom line is that the stock market got a little ahead of itself with too much bullish sentiment. Volatility being what it is smacked the markets down upon the release of some negative news regarding the economy. I believe the recovery will continue although it will be bumpy depending on the timing and degree that states reopen and how consumers respond. Risks remain including the emergence of a second wave of the coronavirus, however, only time will tell. As I said last week, volatility is still king as uncertainties are resolved but the trends are still moving in the right direction. This bodes well for the future, but it also portends a very bumpy road over the next six to twelve months. Investment assets that have a longer-term time horizon will be fine. I continue to remain optimistic for the long-term.

Brad McMillan, Commonwealth's Chief Investment Officer, has yet to publish any commentary for this week. I will forward his letter if and when it is published. I encourage you to remain optimistic and to do what you can to contribute to growing the economy.

If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

As always, stay safe and healthy!

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