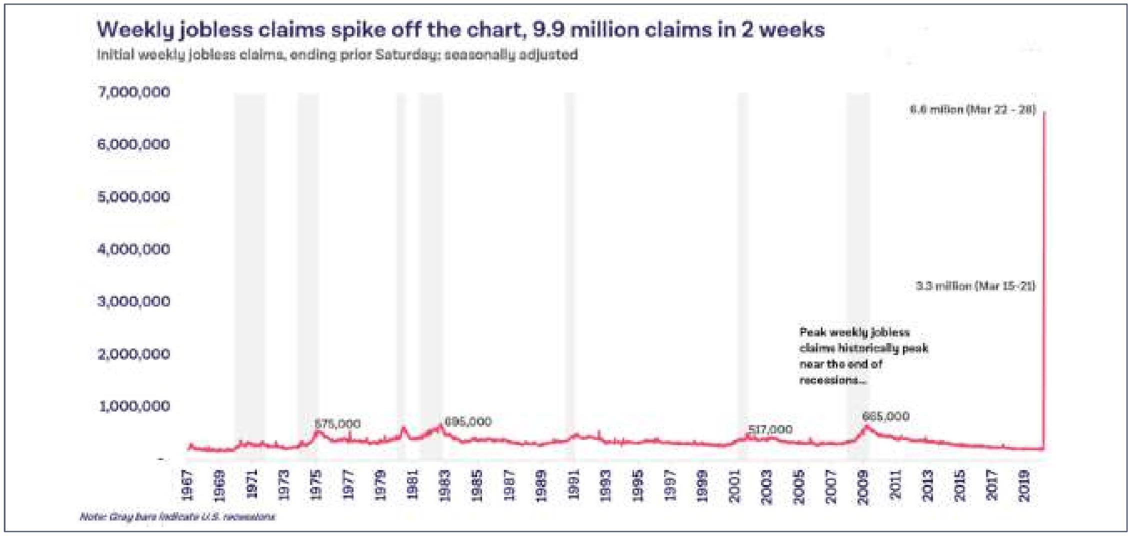
Market Recap

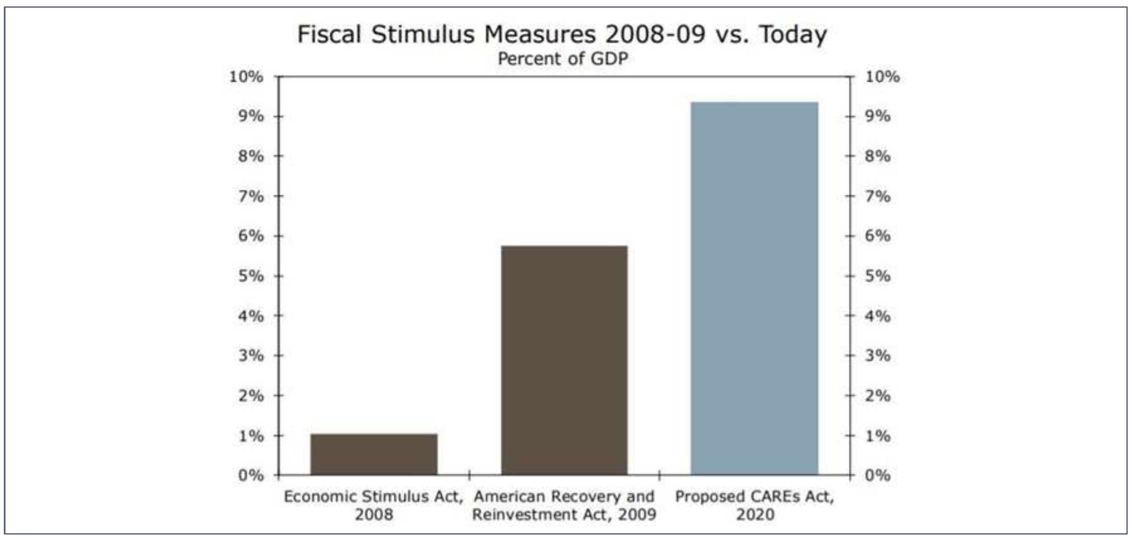
Staggering Spike in Unemployment



Source: The Block, FRED

As the economic impact of COVID-19 begins to play out more directly in the U.S., the spike in weekly unemployment claims is not just dramatic but historic. After rising to 3.3 million a week ago, weekly claims have now surged to 6.6 million, roughly 10x the 2009 peak. This means that roughly 6% of the U.S. labor force has been left without a paycheck (up from 0.3% at the end of February), and claims will undoubtedly move higher in the coming weeks. Whereas many of the jobs lost during the 2008-09 recession were higher-paying positions in construction and finance, the trouble with this downturn is that it's going to hurt lower-wage jobs much more severely. As a result, the impact on employment will be much larger relative to overall GDP.

A Bridge to Recovery



Source: Wells Fargo

Congress recently passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. Americans will benefit from a $2 trillion stimulus package that equates to roughly 9% of U.S. GDP. This heady figure is roughly double the size of the stimulus passed in February 2009. Approximately $454 billion will be directed to the Federal Reserve emergency lending program that loans money directly to Main Street businesses. Since the Fed can make loans at 10x its equity, small businesses will have over $4 trillion available to them. Although the U.S. deficit and Treasury issuance will swell substantially, many of these loans will be repaid over time. As such, these emergency measures should help prevent a deeper recession without placing excessive strain on the U.S. economy over the longer-term.

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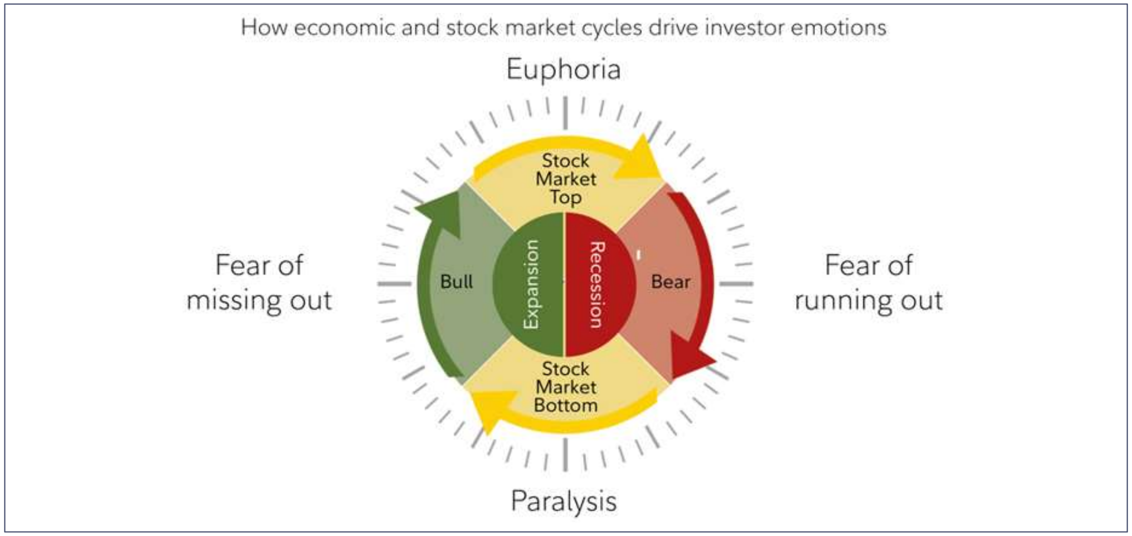
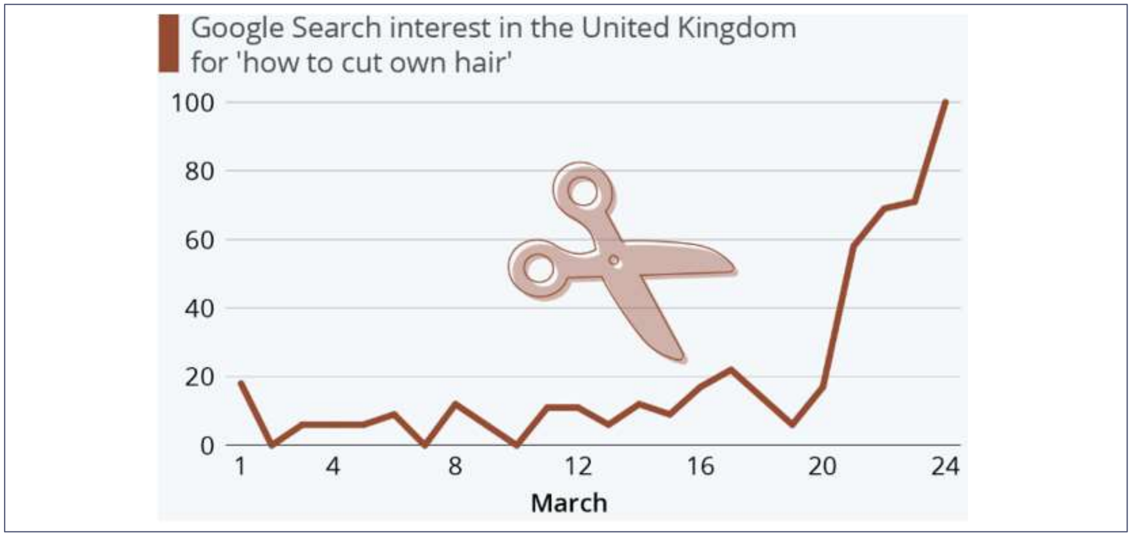
Searching for the Bottom



Source: Fidelity

Trading in anticipation of major turning points in the market can be a lucrative exercise... or a painful one. Even savvy, experienced practitioners, armed with decades of data, can be fooled for the simple reason that the world (and hence the character of the market) is always changing. That bothersome fact notwithstanding, capitulation, i.e. a trough in investor sentiment, is one of the common threads connecting any market bottoming process. Although data on investor sentiment can be easily measured, it can remain well above (or below) average for long periods, and it's impossible to pinpoint the true peak (euphoria) or trough (capitulation) in sentiment except in hindsight. How very annoying!

Rise of the Amateur Stylist



Source: Statista

Hair is inconsiderate. It doesn't care that the world is battling a pandemic or that barbershops across the country are closed... hair still grows. Because of that, people are coming to an important decision point: Let it grow freely until their favorite stylist reopens, or find a mirror, scissors, perhaps a promising YouTube tutorial, and hope for the best. Google search trends suggest that many individuals are contemplating the latter route. While no one can blame these industrious risk-takers, they may need to prepare themselves for a good ribbing at the next virtual hangout.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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