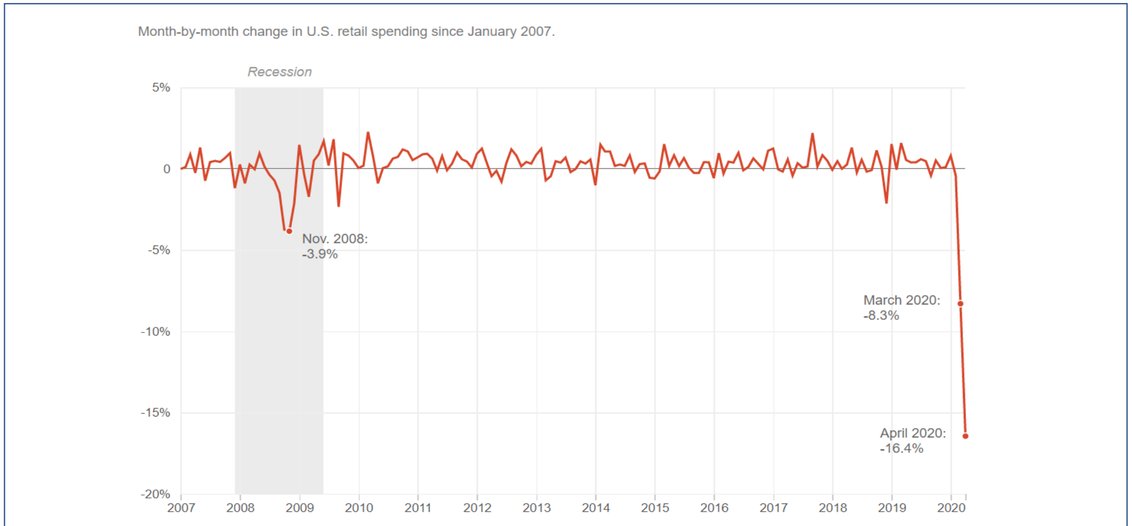
# Market Recap

## April Retail Sales Plummet




Source: NPR

Approximately 70% of America's $21.5 trillion economy comes from personal consumption. Retail sales comprise approximately half of personal consumption spending. Unfortunately, retail sales tumbled 16.4% in April, significantly worse than the expected decline of 12.3%. Clothing store sales suffered the most with a reading of -79%. Other category sales losses included electronics and appliances (-60.6%), furniture and home furnishing (-58.7%), sporting goods (-38.0%) and bars and restaurants (-29.5%). However, online retailers saw sales rise by 8.4% last month as these venues became the safest way to obtain merchandise. Although all 50 states have begun to reopen beyond essential retailers, almost 40 million people are now unemployed. Consequently, retail sales will remain subdued as unemployment and capacity constraints limit economic growth until a COVID-19 treatment is found.

## Stocks Are A Leading Indicator

| Unemployment rate | S&P 500 annualized gain (4/30/1948-4/30/2020) |
|---|---|
| *** Above 6%** | **13.7%** |
| Between 4.3% and 6% | 5.8% |
| 4.3% and below | 1.7% |

| Real GDP (y/y % change) | S&P 500 annualized gain (3/31/1960-3/31/2020) |
|---|---|
| Above 6.1% | -4.6% |
| Between 0.8% and 6.1% | 7.1% |
| *** 0.8% and below** | **12.1%** |

| Expected S&P 500 EPS growth | S&P 500 annualized gain (12/31/1948-4/30/2020) |
|---|---|
| Above 14.2% | -2.7% |
| Between 3.4% and 14.2% | 10.0% |
| *** 3.4% and below** | **14.0%** |

Source: Ned Davis Research

Many people are surprised by the recent stock market recovery and see it as contradictory to the unprecedented decline in economic activity. Although the market and economic fundamentals are deeply linked, it is quite common for them to diverge at turning points in the economic cycle. The stock market is a leading indicator and typically starts its move into a bear market in advance of the economy entering a recession. Conversely, equities usually begin a bull market in advance of the economy exiting a recession. Indeed, the stock market's best performance has historically been when economic indicators such as the unemployment rate, GDP, and S&P 500 earnings growth were at their worst. Although stocks and economic statistics may disconnect, people should remember that one looks backward while the other looks forward.

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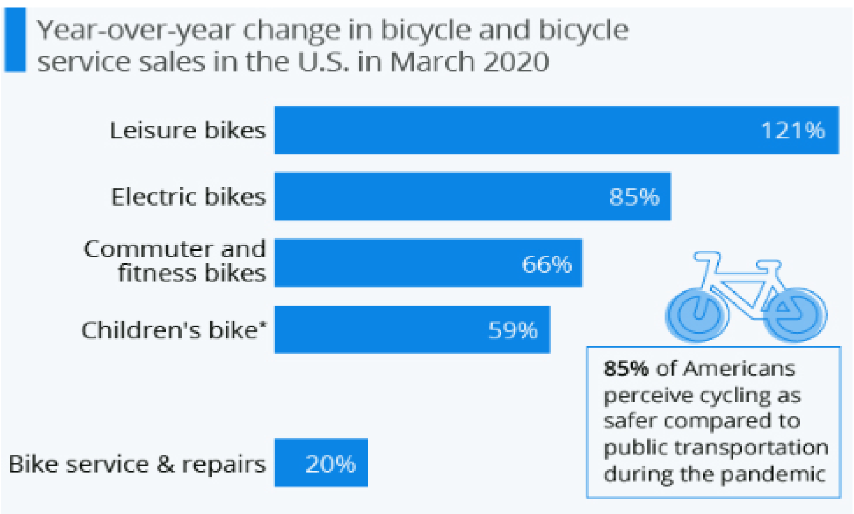
## Gold is Precious for the Portfolio


Source: physicalgold.com

Investors often have exposure to gold within their portfolios as it is a perceived safe-haven asset. Gold has almost no correlation with stocks and bonds, thus increasing diversification. Additionally, investors tend to flock towards gold when markets come under pressure. This spike in demand tends to trigger a rally in the price of gold. The precious metal can also serve as a hedge against inflation losses. If the US dollar suffers from inflation, gold typically becomes more valuable. As with every investment, gold also has risks. Speculating in the metal can be extremely risky as it tends to be quite volatile. As there are trade-offs with any investment, an allocation to gold can complement a portfolio.

## Cycling Into Summer




Source: Statista

Cycling has become an outdoor activity of choice for many Americans due to social distancing, limited public transportation, and fitness center closures. Bike sales are climbing as people have found a fun way to exercise, appreciate the outdoors, and keep their children occupied. Cities such as Seattle and New York City have opened hundreds of miles of roads to cyclists. Commuting preferences may shift as cycling surges in popularity. Before the pandemic, less than 1% of workers commuted with bicycles in the United States. Americans are finding ways to stay healthy and active during this quarantine. Hopefully, this trend will persist well into the future.

**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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