MARKETS CONTEMPLATE DURATION AND SEVERITY OF CRISIS

Over the weekend, President Trump extended the expected timeline for reopening the economy from mid-April to the end of the month. Digesting the reality of keeping workers home and businesses closed for another 30 days, the market is beginning to price in a more severe recession, despite unprecedented stimulus.

On Friday, the House passed the $2 trillion stimulus bill known as The CARES Act. It includes a one-time cash payment to people making less than $75,000 a year. Individual taxpayers will receive checks of $1,200, while couples making $150,000 will receive $2,400 with an additional $500 per child. The payments are reduced for those making more than $75,000, with an income cap of $99,000 per individual or $198,000 per couple. The bill also includes roughly $100 billion in assistance for hospitals, $350 billion in assistance for small businesses to help them meet payroll (including a payroll tax cut), and $500 billion in aid for corporations, such as airline companies.

Despite the unprecedented size of the package, however, officials on the Hill are already proposing a second-round stimulus bill, potentially significantly larger than the $2 trillion bill passed on Friday. Several proposals for a multi-trillion-dollar program are being floated with some officials suggesting an extension to last week's package to make the benefits last even longer.

According to the latest figures, the U.S. now has the largest number of COVID-19 cases worldwide at 216,000, with the death toll at over 5,000; globally, there are 935,000 confirmed cases and over 47,000 confirmed deaths. National Institute of Allergy and Infectious Diseases Director Dr. Anthony Fauci has warned that the coronavirus pandemic could cause 200,000 deaths in the U.S.

While federal and state governments struggle to contain the coronavirus, the longer we are shut in, the more devastated the economy becomes and the more difficult it will be to get the economy back on track once the pandemic is under control. $2 trillion in fiscal stimulus is a welcome lifeline for workers struggling to pay rents and put food on the table as well as businesses having difficulty making payroll and keeping their doors open. However, it will not replace all the lost income, revenue, spending, and consumption lost as a result of the policies mandating the stay home orders. Rightfully so, the primary focus is on the health ramifications of the virus; however, the economic costs are climbing by the minute. For this reason, markets remains roiled in uncertainty and volatility, trying to assess how long this shutdown will endure and how deep the impact to the economy.

The road to recovery from COVID-19 is unlikely to follow a straight line for the economy, the markets, and society as a whole. We have built your investment plan to have a diversified mix of assets because there is never a time when investing comes without risks. Today, the risks of COVID-19 have put in stark relief the downside potential of an event-driven shock that always lurks in the background of any given outlook in any given year. For this reason, the investment plans we build with you are meant for years, not months; for challenging times, as well as good ones. We make adjustments over time to rebalance, optimize allocations, hedge risks, and exploit opportunities. We strive to avoid behavioral impulses to completely abandon those plans, however, because often the pressure to do so comes at the worst possible moments and may lock in losses at low levels or force investments at peaks.

With that in mind, we want to remind you of some long-term market trends. Equity markets historically have delivered impressive returns in the years immediately following a bear market, with the potential to deliver double-digit average annual gains for several years.

For sure, past performance cannot guarantee future results. However, if we examine the S&P 500 Index from the beginning of 1926 to December 31, 2019:

- There have been 85 rolling 10-year periods since 1926. The S&P 500 produced gains in 81 of them and losses in four—meaning the market increased in 95% of the 10-year time frames.
- Stocks produced positive returns in every rolling 15-calendar year period since 1926.
- During the 65 rolling 30-year periods since 1926, the stock market's worst performance was an annualized return of 8.5%.

These historical returns illustrate how stocks have shown resilience and growth potential over the long term. We continue to believe in that potential and urge you to do the same. Please feel free to connect with a member of your team by clicking here.

THE CARES ACT OFFERS TAX PLANNING OPPORTUNITIES FOR 2020

The Coronavirus Aid, Relief and Economic Security (CARES) Act, the $2 trillion stimulus bill, was signed into law by President Trump on March 27, 2020. The Act provides financial assistance to individuals and small businesses suffering economic damage from the effects of COVID-19. Included in the Act are several provisions offering income tax relief to individuals. Please click here to read more.

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