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BLBB Advisors, LLC – Weekly Market Update Friday, March 27, 2020

It has been an eventful week in US financial markets as the major US equity indices rallied more than 20% between 3/24 and 3/26 and technically even exited bear market territory – if ever so briefly. This was the largest 3-day gain in US equity indices since 1931. It's also been another busy week in Washington as Congress pushed the April 15th tax filing and payment deadline to July 15th and developed and passed a $2 trillion economic stimulus package designed to assist individuals and families, small businesses, and struggling corporations. The Federal Reserve continued and expanded its massive monetary stimulus efforts of the past several weeks including more quantitative easing and preparing to lend directly to struggling investment-grade businesses. There is no question the fiscal and monetary response to the Covid-19 pandemic and the associated severe economic ramifications of the societal shutdown is an all-hands-on-deck approach.

The hope is that all this monetary and fiscal stimulus will act like a bridge loan and enable people and businesses to survive economically for the next several months until businesses are able to reopen, people return to work, and society gradually begins to return to normal. Of course, the full scope of the economic damage caused by the quarantines and lockdowns remains to be seen. Unfortunately, it is highly likely some small business will fail and unemployment will soar – at least temporarily. Last week, a record 3.28 million Americans filed for unemployment benefits. This number easily dwarfed the previous weekly record of 695,000 filings back in 1982 and suggests we may see more record-breaking weeks until the pandemic begins to subside. Fortunately, the new stimulus bill includes vastly expanded unemployment benefits – benefits will last longer and also be available to freelancers and gig workers. The stimulus bill additionally provides forgivable loans to small businesses so long as they satisfy certain criteria including continuing to pay their workers while their businesses are closed.

As expected, this week's tremendous equity market rally has many investors wondering if we have now hit the market low for this bear market cycle and whether the worst might now be behind us. While we certainly do not have a crystal ball, our current thinking is that it is quite possible US equity markets will remain exceptionally volatile over the next several months as the country works through all the challenges and uncertainties associated with the pandemic. We also believe there is a good chance US equity markets will revisit their recent lows at some point in the next month or so. Unexpectedly bad economic or pandemic news would likely be the culprit if we do retest our recent market lows. On the other hand, we also expect that as the pandemic slows and the news flow eventually trends away from dire predictions and upsetting stories the market will begin to trend in a positive direction.

We will continue to keep you apprised of what is happening in the US economy and financial markets. Please stay safe and healthy and do not hesitate to call or email if we can be of assistance to you and your family! Also, look for our next update on Friday, April 3rd.

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Before we sign off for this week, we thought it would be fun to share: If you are on social media at all, you are well aware there are now many articles offering all sorts of suggestions about how to efficiently and effectively work from home – the reality for most of us for right now. As expected, the #1 tip usually tends to be something along the lines of find yourself a dedicated and calm workspace in your home where you can comfortably operate. We wholeheartedly agree with this tip and thought you might like to see some of our new work-from-home spaces (and co-workers!):