BLB&B Advisors, LLC
FINANCIAL GUIDANCE SINCE 1964

BLBB Advisors, LLC – Weekly Market Update Thursday, April 9, 2020

Our weekly economic update is a day early this week because tomorrow is a holiday for US financial markets. For our clients who celebrate Easter or Passover, we wish you a safe, peaceful, and healthy holiday.

Before we get into our economic update, we wanted to share with you how our charitable foundation is supporting Covid-19 relief efforts in our community. Below is a summary prepared by the Manager of BLBB Charitable, Diana Doherty:

BLBB Charitable- Supporting Nonprofits Through the Crisis
As the COVID-19 pandemic brings dramatic changes to all our lives, we see first responders and the nonprofit community stepping up in heroic ways to meet the community's needs. BLBB Charitable, the giving arm of BLB&B Advisors, has accelerated its philanthropic giving during this crisis, partnering with other donors and taking a leadership role in the MontCoPA COVID-19 Response Fund (http://www.mcfoundationinc.org/). Through this pooled fund, nonprofit organizations serving the most vulnerable populations affected by COVID-19 may seek grants of up to $5000 to cover emergency needs during the pandemic, such as groceries for food pantries, personal protective equipment for health care workers, and aid to isolated seniors. Along with its funding partners in the MontCoPA COVID-19 Response Fund, we at BLBB Charitable are proud to announce the recommendation of $141,500 in emergency grants to nonprofit organizations, with more applications to review in the days/weeks to come. Together, we are making a difference during this challenging time!

Economic Update:
After weeks of almost nonstop bad news on the coronavirus front, we finally received a welcome reprieve and even a few glimmers of hope. In the United States, Dr, Fauci, a key advisor to the White House's coronavirus taskforce, recently stated the US caseload and death rate is likely peaking within the week and that US schools should be able to open in the fall. The Institute for Health Metrics and Evaluation (IHME) at the University of Washington's School of Medicine also noted this week the US will experience approximately 82,000 Covid-19 related deaths – still a shockingly high number but far less than earlier baseline predictions of 100,000 to 240,000 deaths. Overseas, it appears some of the hardest hit countries, including Spain and Italy, have reached and moved beyond their coronavirus peak (http://www.healthdata.org/news-release/new-covid-19-forecasts-europe-italy-spain-have-passed-peak-their-epidemics-uk-early-its).

This tilt towards a slightly more positive news flow resulted in some upward movement in US equities this week. As of the market close on Wednesday (4/8/2020), several of the major US equity indices have just about retraced 50% of their recent downward plunge. The S&P 500, for example, reached its all-time (intraday) high of 3393 on February 19, 2020. Just about a month later, on 3/23/2020, it touched its (intraday) low point of 2191 – a downward move of 35.4%. This was the fastest transition to a bear

www.BLBB.com P.O. Box 1010
215.643.9100 Montgomeryville, PA 18936

market (-20%+ from a recent high) ever. The S&P 500 closed out yesterday at 2749 – just 43 points shy of the 2792 level that marks a 50% retracement from the S&P 500's recent low point of 2191.
On Thursday morning (4/9/2020), the S&P 500 is trading above 2800. This 50% retracement figure is an important milestone for market technicians because it suggests the recent market lows of a couple weeks ago may be the "bottom" of the market for this event cycle. While this is certainly encouraging, we are mindful that the Covid-19 situation is far from over and that the economic fallout could be worse than anticipated. In other words, there are still many uncertainties that will weigh heavily on US and world financial markets and continue to inject volatility and even downward pressure. It is certainly possible we will retest the lows from a few weeks ago and even fall further before eventually turning positive again.

The weekly unemployment claims data, which the Department of Labor releases on Thursday mornings, provides insight into the magnitude of the economic impact resulting from the shutdown of all but essential businesses around the country. This week, another 6.6 million people filed new unemployment claims. Over the last 3 weeks, more than 16 million US workers filed new unemployment claims. The sheer volume of these claims is unprecedented. In just 3 weeks, about 10% of the US workforce lost their jobs (https://www.cnbc.com/2020/04/09/weekly-jobless-claims-report.html)! Also, this unemployment data could end up serving as the proverbial "canary in a coal mine" foreshadowing significant pullbacks to come in corporate earnings and economic growth.

Fortunately, the government is willing and able to step in and help cushion the blow. Today, the Federal Reserve announced a $2.3 trillion loan program to further bolster the US economy. This money will be used to assist individuals and families, businesses, and state and local governments. The Federal Reserve further noted in its press release announcing this massive loan program:

> *"Our country's highest priority must be to address this public health crisis, providing care for the ill and limiting the further spread of the virus," said Federal Reserve Board Chair Jerome H. Powell. "The Fed's role is to provide as much relief and stability as we can during this period of constrained economic activity, and our actions today will help ensure that the eventual recovery is as vigorous as possible."*
> *(https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm)*

While all this fiscal and monetary support for the US economy is reassuring, we also recognize that it isn't free and most likely comes with some unwanted and unpleasant side effects. While it is probably premature to speculate what might eventually happen, we are beginning to wonder whether higher taxes and/or a period of unpleasantly high inflation could eventually be some of the unintended consequences?

Also, over the last few weeks we have not yet commented on some of the other news events that are impacting our financial markets. Of particular note this week, Bernie Sanders terminated his campaign and OPEC is possibly getting ready to announce oil production cuts in conjunction with Russia. Oil prices are off about 56% since the beginning of the year. This precipitous price slide is partially due to the immediate and sharp reduction in the demand for oil due to the pandemic and partially due to the brewing feud between Russia and Saudi Arabia and their efforts to flood the market with oil. OPEC members and Russia are holding their first of two meetings today and oil prices are currently up in anticipation of a coming production cut.

Before we sign off for this week, we wanted to highlight another aspect of the CARES Act that benefits a large number of Americans – those with federal student loans. In short, the CARES Act grants a six - month reprieve on loan repayments to student loan borrowers and also moves federal student loan interest rates to 0% during this 6-month period (3/13/2020 – 9/30/2020).

Please note, however, these benefits apply to most but not all student loans. If you have Direct student loans (those issued under the William D. Ford Direct Loan Program), Perkins loans owned by the US Department of Education, or loans issued pursuant to the Federal Family Education Loan Program that are also owned by the US Department of Education, you are automatically eligible for these benefits. You should check your online student loan account as it should now show you have no loan payments due and that your loan interest rate is 0%. If you check your student loan account and do not see these updates, it is possible your student loan is not eligible for this CARES Act relief.

If you are in this position, all is not lost. For example, if you have school-owned Perkins loans, you should contact the school's financial aid office or your loan servicer (if it isn't your school) as they may be able to assist you in obtaining temporary relief. You may also want to consider applying for an economic hardship deferral. Similarly, if your student loans are owned by a bank, you should contact the bank directly as many are now offering their own payment deferrals and other temporary relief. This article summarizes the student loan relief measures now offered by a number of the banks (https://www.businessinsider.com/personal-finance/private-student-loan-lenders-help-with-payments-2020-4).