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**BLBB Advisors, LLC – Weekly Market Update** Friday, April 17, 2020

BLBB ON-AIR

This week, we offered two webinars – *Women, Finance, and the Covid-19 Pandemic* and *Financial Literacy for Teens and Young Adults in a Volatile Market.* Two weeks ago, BLBB Plan Services offered a webinar geared towards employers and employees entitled: *Navigating the 2020 COVID-19 Pandemic & your Retirement Plan*. These were our first forays into the world of online educational programming and many thanks to all who attended! If you missed these events, they are now available on our website – just click on the highlighted portion of each webinar title above to access these presentations.

Economic Update:

It's been a fairly positive and even relatively calm week in US equity markets. As of this morning, the S&P 500 is up about 2% for the week. Thankfully, equity market volatility also continues to abate. During mid-March, the VIX index (a key measure of US equity market volatility) hit an all-time high of 82.69. The last time we experienced comparable volatility was back during the financial crisis in 2007-2009. Since volatility topped out in March, the VIX has begun to trail off and now sits around 40 – still quite elevated but a far cry from where it was a month ago. To put these figures in perspective, in the weeks and months leading up to the pandemic, the VIX mostly hovered between 12-15 with occasional spikes up to 20 or so.

As we look ahead to the next couple months, we expect US financial markets will continue to experience heightened volatility. As you probably already know, financial markets do not like uncertainty and volatility rises when uncertainties mount. We are currently in the midst of a time period that is rife with uncertainties. There are so many as-yet unanswered questions and concerns related to Covid-19, the economic ramifications of the societal lockdowns and quarantines, and the plummeting price of oil. As we begin to get answers to these questions and as clarity begins to emerge, we would expect to see volatility gradually subside.

At the end of the day, however, most of the uncertainties all relate back to the pandemic. Hopefully, we are not too far away from beginning to get answers to such key questions as:

- When will there be an effective coronavirus medical development that essentially turns this disease into a treatable and relatively minor ailment rather than one that condemns large numbers of people to the hospital?
- When will there be an effective vaccine?
- When will we be able to do widespread testing to see who already has built up antibodies to the virus and when will we know whether having these antibodies means people are immune from reinfection? In other words, is this disease like the flu where each year you need a new flu shot to combat the differing strains of the disease?

Once we have answers to these kinds of questions then we will be able to better understand how quickly and completely our economy can reopen and people can resume their normal activities in their usual manner without much concern. Before we get these answers, we could find ourselves having to take some ongoing protective measures in order to reduce the chances that the disease reignites in our communities.

Obviously, the sooner we are able to safely reopen our society and economy the less economic damage is inflicted. While the plethora of monetary and fiscal relief and support efforts implemented over the last month or so will certainly help the country weather this extreme period in history, the damage is already beginning to mount. We are starting to get some economic data that illustrates the kind of economic hits we are taking during this shutdown. For example, another 5.2 million people filed new unemployment claims this week – bringing the 4 week total to about 22 million newly unemployed Americans. Also, the March retail sales figures were just released showing an 8.7% decline – by far the largest decline since such data has been collected. Unless something miraculous happens before the end of April, it is quite possible that April's data will prove to be worse than March.

We can also take some clues from overseas where different parts of the world are further ahead of us in the Covid-19 disease cycle and have begun to reopen their economies. China, for example, just announced that its first quarter 2020 GDP fell by 6.8% on a year-over-year basis. This was the first negative GDP report for China since 1992. China further reported that retail sales dropped 19% in the first quarter while industrial production fell by 8.4%. Their urban unemployment rate rose to a record high 6.2% in February before falling slightly. It now stands at 5.9%. It is highly likely the US, along with a number of other hard hit countries like Germany, Italy and Spain, will soon be reporting their own unpleasantly negative economic data. Assuming the coronavirus follows the same path in the US that it has followed in other countries, we would expect 2$^{nd}$ quarter 2020 to be our hardest hit quarter when it comes to economic and corporate earnings data. Some important March data will be coming out next week including home sales, durable goods, and consumer sentiment.

As always, we hope that you and your family members are safe and healthy. We will check back in with you again next Friday with another brief economic update.

CARES ACT – Your Economic Impact Payment:

Before we wrap up for this week, we wanted to make sure you are aware that, as per the recently passed CARES Act, the "economic impact payments" of $1200 per adult (including retirees) and $500 per child have begun. If you are eligible for a payment and the IRS already has your bank direct deposit information then you should see this money automatically deposited into your account. It may appear as a "tax ref" or something similar to that.

If the IRS does not already have your bank account information, then you will receive a check from the US Treasury. The IRS will mail your check to the address they have on file from your prior year's tax return.

As you would expect, scammers are already trying to prey on those who will receive these economic impact payments. Retirees are key targets of these scams. Please be wary! The IRS just issued a warning about the scams it is already seeing (https://www.irs.gov/newsroom/irs-issues-warning-about-coronavirus-related-scams-watch-out-for-schemes-tied-to-economic-impact-payments). In particular, the IRS specifically alerts Americans to be cautious about scammers who may use the following tactics:

- Emphasize the words "Stimulus Check" or "Stimulus Payment." The official term is economic impact payment.
- Ask the taxpayer to sign over their economic impact payment check to them.
- Ask by phone, email, text or social media for verification of personal and/or banking information saying that the information is needed to receive or speed up their economic impact payment.
- Suggest that they can get a tax refund or economic impact payment faster by working on the taxpayer's behalf. This scam could be conducted by social media or even in person.
- Mail the taxpayer a bogus check, perhaps in an odd amount, then tell the taxpayer to call a number or verify information online in order to cash it.

If anyone tries to get you to reveal any personal information or to pay anything so that you can get your economic impact payment, please hang up the phone on them or delete their email. Similarly, if anyone calls you and says they are from the IRS – HANG UP! Please remember the IRS NEVER calls or emails you to ask for your personal information. Also, there is nothing you need to do and nothing you need to pay in order to receive your economic impact payment.