

## WEEK IN REVIEW

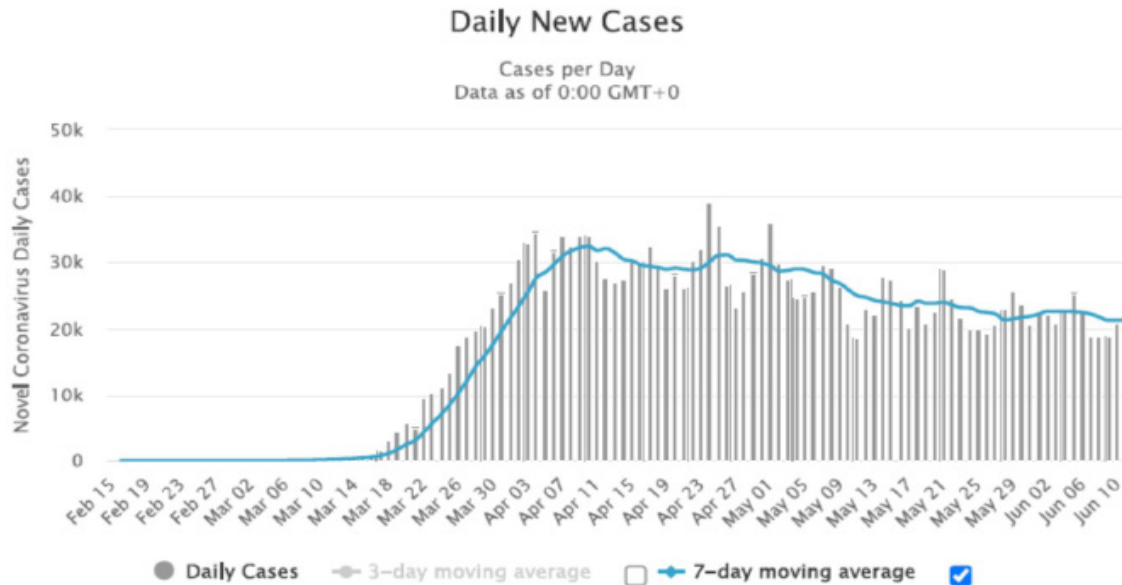
Friday, June 12th 2020

- **FEDERAL RESERVE CHAIRMAN**, Jerome Powell, signaled this week that the Fed would keep interest rates low for as long as is needed to aid the economy. A primary reason to keep rates low is the weakness in the labor market. “You could see significant job growth in coming months as people return to their jobs, but you’re still going to face, probably, an extended period where it will be difficult for many people to find work,” Powell said.
- **CONTINUING UNEMPLOYMENT CLAIMS** remained above 20 million at 20.9 million this week. Job losses from the global pandemic are at historic levels.



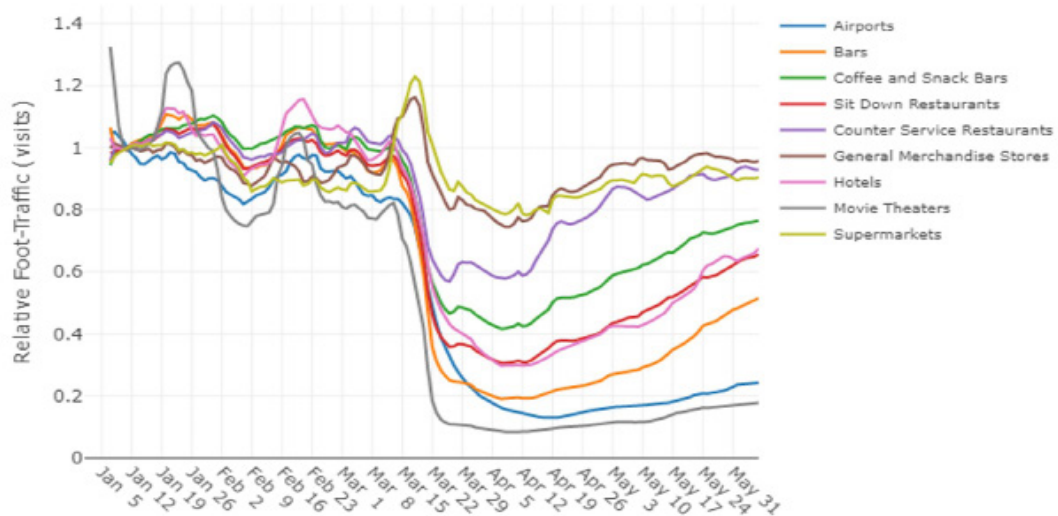
Source: fred.stlouisfed.org

- **NATIONAL ECONOMIC WOES TRICKLE DOWN TO LOCAL ECONOMIES.** While the federal government can print money to fund deficits, state and local governments face increasing budget pressures. As an example in Massachusetts, WGBH reports that Brookline will layoff 360 teachers due to budget gaps from lost parking, restaurant and other business revenue.
- **CORONAVIRUS DAILY NEW CASES** in the US are trending down (Worldometer). Risk exists for a second wave as economies open up, but current cases are trending down (see below) while progress is being made on vaccines.



Source: Worldometer

- WHILE THE JOB MARKET IS SOFT, the economy continues to rebound from the trough. Foot traffic, shown below, continues to improve.



Source: SafeGraph

- EQUITY MARKETS RALLIED on Friday, June 5th 2020 on a better than expected unemployment report, only to be followed by a pullback on Thursday, June 11th post Chairman Powell's subdued economic outlook. Investor optimism led to rallies in levered, economically exposed stocks early in the week. Hertz (HTZ), which has already filed for Chapter 11 bankruptcy, rallied from \$0.82 on June 3rd to \$5.53 on June 8th. The reversal in optimism brought the stock back to \$2.06 on June 11th.

## THINKING AHEAD

As equity markets have recovered much faster than the underlying economy, we continue to monitor factors that will drive financial markets going forward. Significant damage has been done to the economy due to the global pandemic, and structural change will affect many industries. Social unrest continues as the nation deals with underlying issues in our society. The scale of the economic impact does not seem to be reflected in equity markets today. The pace of the recovery will help determine whether markets trend down towards current low activity levels, or the activity picks up to match forward looking markets.

On the positive side, economic activity is picking up as the economies reopen. We need to monitor the number of coronavirus cases to see if an increase occurs simultaneously with the openings. Interest rates are poised to stay low given Fed commentary and the underlying state of the economy. A balanced asset allocation approach continues to be prudent as opportunities for recovery are weighed against medical and economic risks.

*We will continue to provide weekly market updates. In the meantime, you can access our thought leadership pieces on our [Insights](#) page and by following us on [LinkedIn](#).*

*You can access a recording of all prior weekly webinars [here](#).*

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