Market Currents

- **<u>Stocks' Recovery Continues.</u>** Equities continued their move higher in May, building on the positive momentum seen the month prior. Aggressive policy action from the Federal Reserve has helped to ease prior strains in credit markets, and fiscal support from Congress has lent some cushion against the downturn. Promising data on COVID-19 vaccines and therapeutics, as well as the reopening of the economy, are bolstering hopes for an economic rebound later this year.

- **<u>Broadening Rally.</u>** From the March lows, the market's recovery was driven primarily by a relative handful of U.S. large cap growth equities. More recently, we are seeing a broadening of the rally – a positive development - as investors return to previously underperforming areas like mid- and small-caps, and to downtrodden cyclical sectors such as energy and financials.

- **<u>Economic Data Playing Catch-Up.</u>** Recent reports continue to reflect the sharp economic impact of the COVID-19 crisis, but the data seem to be showing signs of improvement (or are simply "less bad" than expected). The US labor market rebounded unexpectedly in May, surprising most economists. Aided by stimulus checks and enhanced unemployment benefits, personal income has increased, leading to a 33% surge in US savings rate. As states move to reopen, we expect to see some level of pent-up consumer demand boosting the economy. The path and pace of the recovery remains highly uncertain, but recent metrics are suggesting a smoother course than initially imagined.

- **<u>Fiscal and Monetary Actions.</u>** Policymakers around the globe have responded quickly with extraordinary monetary and fiscal actions to bolster industries, businesses, and individuals, softening the economic impact of COVID-19. The US Congress passed legislation earmarking over $3.6 trillion dollars in financial assistance and economic relief programs. The Federal Reserve, too, responded aggressively through emergency rate cuts and substantial lending programs to provide liquidity and alleviate investor tensions.

- **<u>Civil Unrest.</u>** Significant protests—both peaceful and violent—have erupted across the US and abroad in the wake of the police-involved death of George Floyd. Despite the societal tensions on display, investment markets have remained largely unaffected by the unrest, and we expect that to remain the case.

- **<u>Outlook for 2020</u>**. Surging liquidity and hopeful virus treatment/vaccine news have been significant tailwinds behind stocks. Encouragingly, the COVID-19 curve appears to have flattened in many parts of the world, although the virus is by no means vanquished. We anticipate a rebound in economic growth in the second half of the year as economies continue to reopen, although we are maintaining a watchful eye over the potential for a "second wave" of infections. We are also continuing our assessment of the long-term impact of the pandemic on industries and sectors.

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