

Weekly Market Flash

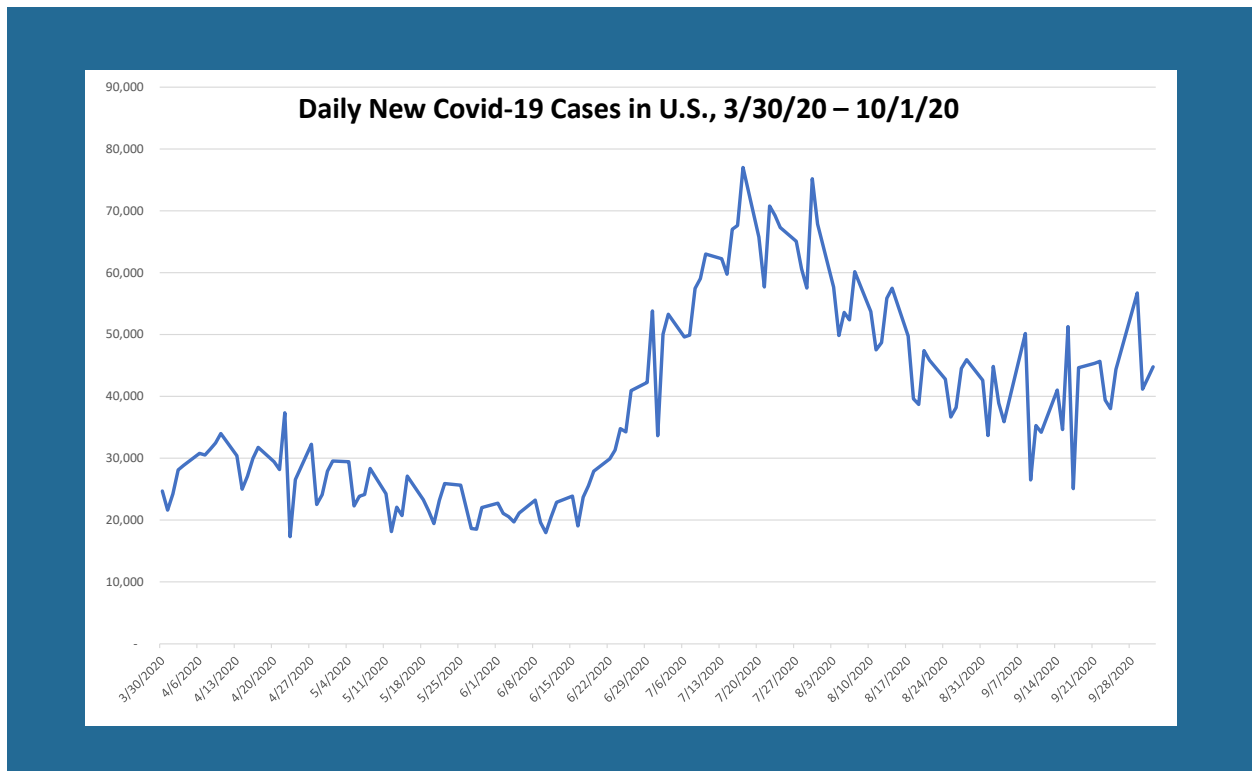
The Autumn of Our Discontent

October 2, 2020

It really has been one of those weeks. Too many headlines, too much information, and a relentless fog of noisy distractions making it difficult for even the most rational of minds to sort through what matters and what doesn't. But in the end it always comes down to the same thing: we live in the time of a global health crisis that created a global economic crisis. A somewhat lackluster jobs report today – coming on the heels of a series of layoffs from some of the most high-profile companies on the S&P 500 – and an upward trend in new Covid-19 cases suggests that we have much to be concerned about. These concerns are amplified by a fraught political climate that only gets more volatile by the day.

New Cases on the Rise

The daily update of new Covid-19 cases features some prominent additions, as we all learned this morning. Whatever one's political leanings, we can wish those affected at the White House and elsewhere good health and full recovery. What remains of great concern, though, is the trend in the total number of cases as we head into the colder months of the year. The chart below shows the trend in daily new cases since March 30.



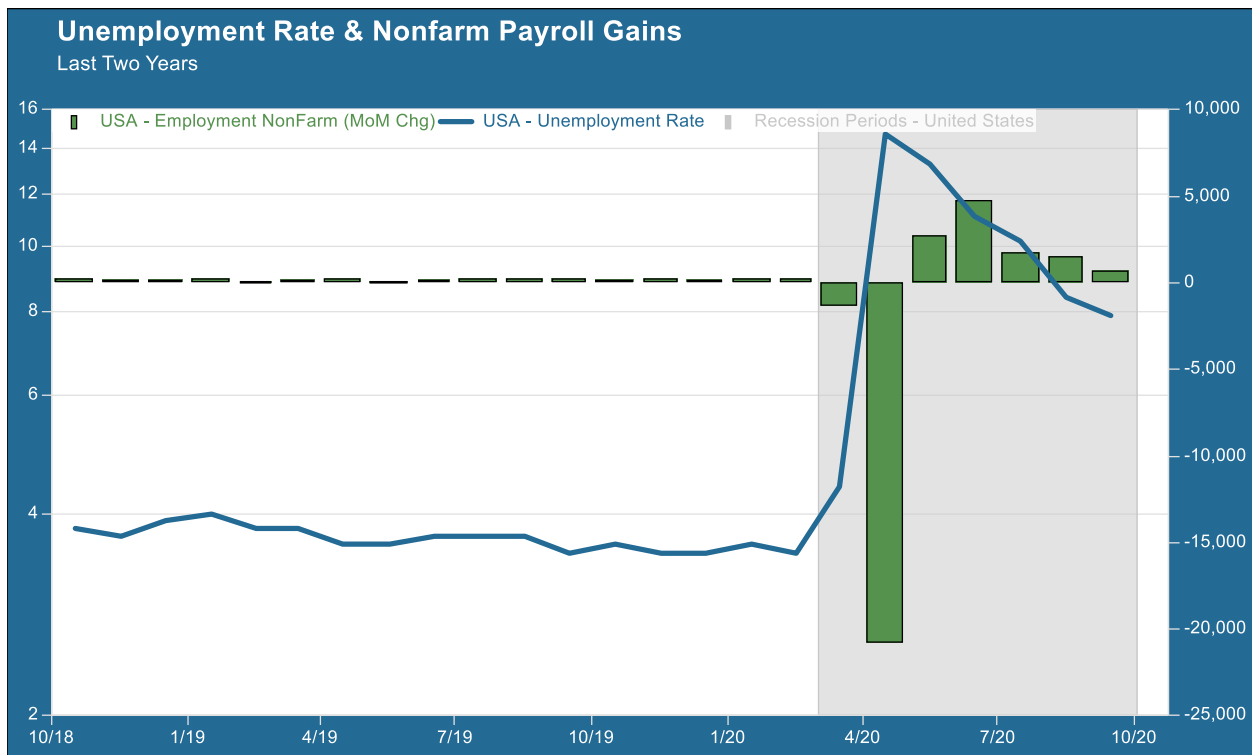
Source: Johns Hopkins University Online Covid-19 Database, MVF Research

The pattern in the chart above is clear enough. Between March and May the epicenter of the disease was New York City. But this was also the period of peak lockdown across the country, and that kept the daily case count trending down to between 20,000 and 25,000 by middle of May. Unfortunately, an aggressive push to reopen the economy coincided with a spectacular lack of self-restraint in many places over the

Memorial Day weekend, and the case count skyrocketed over the course of the summer. That seemed to be coming down by late summer, but it has turned up again in the post-Labor Day period. We know that college campuses, biker festivals and political rallies are among the hotspots that have contributed to the uptick in new cases. We also know that, while we are all hopeful for some good news from the leading candidates in Phase 3 trials for a vaccine, it will not be until sometime in the first half of next year, at best, that the availability of widespread vaccinations will measurably reduce the risk of infection.

Jobs: The Slow Climb Back

The second piece of data from this week’s headlines is the trend in employment – the most important of the month-to-month measures of economic well-being. The chart below shows the trend in jobs data released by the Bureau of Labor Statistics on the first Friday of each month.



Source: Bureau of Labor Statistics, MVF Research, FactSet

This chart puts today’s 661,000 payroll gains in perspective: on the one hand, it is a far greater monthly change than any single month before March of this year. On the other hand, it is well below the payroll gains of the past several months and suggests that we still have a long way to go before clawing back all those losses experienced in March and April. As for the unemployment rate (the blue line), today’s number of 7.9 percent was slightly better than expected – but part of the upside surprise was due to a decrease in the size of the labor force (i.e. people leaving the jobs market and thus no longer counted technically as “unemployed”).

There were other notes of concern in the BLS report. The number of people experiencing job losses in the past 5 weeks increased from the same period last month – which corroborates with the new waves of layoffs we are seeing. Also, in keeping with the trend of recent months, the vast majority of job gains are coming from a decline in temporary layoffs in the hospitality, leisure and retail sectors. We still are not seeing a structural improvement in the broader labor market. Indeed, the pace of small business closures

is picking up; these are the jobs categorized by the BLS as “permanent” job losses as opposed to temporary layoffs, and that number is still going up.

Relief Is Needed

The continuation of the trends described above leads to one rational conclusion in our opinion: the economic health and well-being of our country requires another sizable relief program. In recent days we have seen some signs that, even in the incredibly toxic political climate of the day, there is an ongoing attempt to arrive at a solution. Last night the Democratic-led House passed a \$2.2 trillion relief package. The White House negotiating team led by SecTreas Mnuchin expressed its willingness to contemplate something in the range of \$1.6 trillion a couple days before that (though it’s worth noting that a sizable number of Senate Republicans are not yet behind the White House on this).

It would seem that there is at least some scope there for a deal to be had. Now that the virus has encroached itself fully at the center of American political life in a very visceral way, will that help spur the two sides to find enough common ground to get something done? Let us hope so, because we are going to need something to take the chill off what the coming weeks and months may bring.

Masood Vojdani
President & CEO

Katrina Lamb, CFA
Head of Investment Strategy & Research

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MV Capital Management, Inc.’s current written disclosure statement discussing our advisory services and fees is available for review upon request.