

# Flash Market Commentary



Although few would say we had a return to normalcy, steps in that direction seemed to be taken during the month of May as the multi-phased, multi-faceted reopening process commenced virtually across the country; hopefully, with a muted (less than 1 being the key) reinfection rate. Building off the rebound in April, the financial markets continued to look past the risks of the coronavirus as vaccine related news showed potential promise as seemingly all of the pharmaceutical and biotech industries are working on a viable solution. Central banks across the globe continued to be accommodative and provide economic stimulus in various shapes and sizes. The question continues to be whether we will have a “V”, “U”, “W”, “L” or some other type of economic recovery.

The U.S. government not only proceeded with some potential “tweaking” to its previously initiated stabilization programs, but also began to look toward the next \$1T plus fiscal package as unemployment claims since March climbed to the 40 million level. Some of the key items being contemplated in this next legislation (presumably by the end of June to coincide with the end of states’ fiscal years) include the following:

- Liability protection for businesses.
- State focused aid.
- A \$450 per week “signing bonus” for unemployed workers returning to work, on top of their wages, to possibly combat the attractiveness for some of the \$600 per week additional unemployment benefit.
- A payroll tax cut.
- A capital gains holiday.
- An extended Paycheck Protection Program (PPP) loan forgiveness period from eight to twenty-four weeks. Also, an adjustment of program fund utilization rules.
- An extension to the exemption for rehiring workers from the current June 30 to year-end.
- An increase in loan maturity from two to five years.

During the month a topic resurfaced: U.S.- China relations. Whether due to the origin of the coronavirus, the traction (or potential lack thereof to date) in regard to the trade deal, upheaval in Hong Kong or politics, the stress level between these two countries heightened once again; actually, in a somewhat more contentious manner than that during the trade war. At this point, the phase one trade deal is still on, although it is not necessarily as important as it was perceived to be just a short time ago. We would expect more to come on this front over the next few months.



Making a critical assumption that the coronavirus does not reaccelerate from a health perspective and result in a return to the most significant economic restrictions, the key points to focus on going forward would include:

**Unemployment:** Of the 40 million lost jobs mentioned above, how many will actually be temporary versus long-term? Even a relatively small ongoing segment could be significant. Additionally, many larger companies have yet to initiate layoffs, some of which, like airlines, are precluded from doing so in light of financial deals with the U.S. government.

**Consumer Spending:** The backbone of the U.S. economy the last several years has been built on the confidence and spending patterns of the domestic consumer. Although both took a significant hit due to the mandated shutdown, it seems like a bottoming process may have commenced. In order to return to acceptable business levels, the consumer will need to pivot to at least a semblance of its pre-virus self. To achieve this, the higher the health safety level, the more tailwind in this regard.

**Capital Spending:** Unlike historical activity on this front, the remote work environment may lead to a significant metamorphosis toward expenditures supporting it. Additionally, social distancing could lead to even more capital investments as offices, retail spaces, etc. implement methods to reduce the likelihood of virus spreading.

A lot has occurred over the last three months and it is fairly safe to say there will be more peaks and valleys on multiple fronts ahead. All of us at Country Club Trust Company/Tower Wealth Managers, along with the entire Country Club organization, hope that you and your families have been coping as well as possible and will continue to do so. Please be assured that even though we continue to work in a social distancing mode we remain fully capable to provide the level of service you have come to expect and deserve. We want to be of assistance to you in any way we can.

Take Care!



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