CONWAY• JARVIS LLC
Investment Outlook

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Update

The Market Awakens to the Reality of Reopening

For a second week, we've seen the major averages consolidate off their rally highs as they settle into a trading range. As usual, news of the virus continues to offset any economic data that's received as positive in light of expectations. Predictably, the reopening of the economy through two phases has sparked a dramatic increase in cases and hospitalizations in a number of states. This has prompted some governors to pause or reel in the reopening in their states and business owners to take a step back as well. That reality doesn't fit the narrative of the "V" shaped recovery touted by some investors and economists.

Forget the Second Wave of the virus we've been worrying about. This surge in the spread of the virus is First Wave 1.5 according to the CDC and Dr. Fauci. Even though a few states are noting record numbers of new cases, most observers view a second "lockdown" as unlikely and too damaging to the economy. Instead, we'll see varying degrees of pausing or slowing Phase Two of the reopening to buy time for the virus numbers to show improvement before moving on to the next Phase.

Today we're seeing Texas and Florida restrict restaurant and bar openings as cases in those states spike. That's a rifle-shot approach to mitigating the spread of the virus. Until an effective, widely distributed vaccine defines the outcome for them, policy-makers will have to weigh the recovery of their respective economies against what might be viewed as an acceptable mortality rate. That's a tough one for any elected official and reason to believe that the rate of recovery for the economy is anything but certain.

Looking beyond individual states to the broader economy, it's inescapable that a continued spread of the virus will alter human behavior and negatively impact the economy. For that reason, we reiterate our view that any recovery will ebb and flow with the narrative surrounding the virus transmission. That's likely to make for a more lengthy and uneven recovery. Instead of the "V"-shaped economic rebound that the *market* has been anticipating, we might be looking at the "U" or "W"-shaped recovery that *we've* been expecting.

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