

Stock Market Surges
April 6, 2020

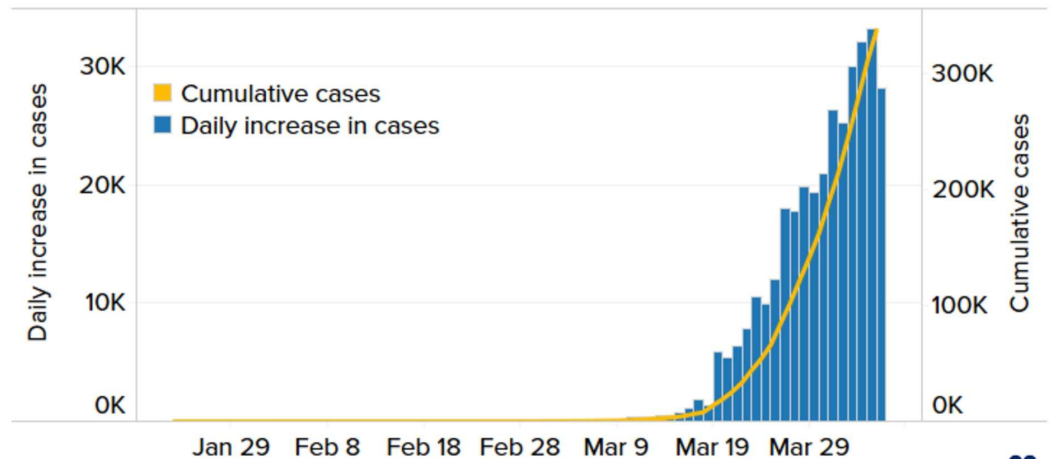


Stocks came to life on Monday after Governor Cuomo announced that over the weekend, New York saw deaths from Covid-19 level off, and actually drop a little. He also announced on Monday that hospitalizations are down, admissions to ICU were down and intubations were down over the weekend. This good news was seen by the capital markets as a sign that the unprecedented public health actions are working to flatten the curve. The Trump Administration noted on Sunday that there are signs of stabilization in hospital rates.

Monday’s stock market session showed that investors are waiting for good news on the health care front. The Dow Jones Industrial Average rose 1,627 points or 7.0%, to close at 22,680. The S&P 500 and the Nasdaq Composite also jumped impressively, rising 7.0% and 7.3% respectively. There was breadth and depth to the surge, as all broad sectors rose solidly -- even most airlines eked out a slight gain.

Investors were obviously encouraged by data that shows a slowing of the spread the disease – certainly, the rate of change seems to be slowing even though the total number of cases is rising. According to data from Johns Hopkins website, there were about 33,300 new cases on Friday the 3rd, 28,200 new cases on Saturday and 29,500 new cases on Sunday.

Coronavirus outbreak in the US



SOURCE: Johns Hopkins University (April 5)



It seems premature to call a this a lasting trend, but, it is an encouraging sign that New York may be following the flattening curve trend we’ve seen in Washington state and California. With the experience of these three states, investors are gaining confidence that this pattern will persist.

Serious concerns remain, including the damage that is being done to the jobs market and the commensurate ability the economy will have to snap back. Each American that becomes detached from an employer and each small business that closes its doors means the recovery will be longer. Also, concerns over the damage to corporate earnings will begin to reveal itself beginning next week as we approach quarterly earnings season. However, the priority for investors is to feel a sense that the public health measures are working -- the data over the weekend gave some real hope.

