

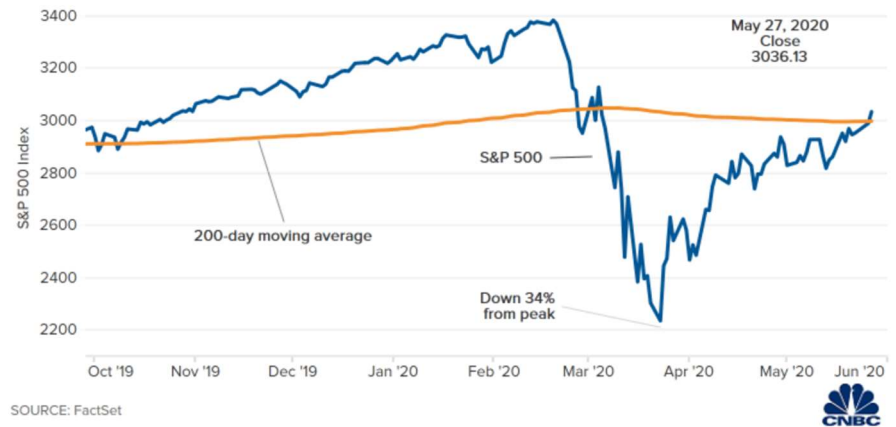
Breaking Barriers
May 27, 2020



After opening lower to start the trading session, the stock market reversed course and surged Wednesday as major stock indexes broke through psychological barriers. The S&P 500 added 44 points, or 1.48% to close at 3036, which is not only above the 3000 point barrier, but also above its 200 day moving average. Similarly, the Dow Jones Industrial Average surged 553 points, or 2.21% to close at

25,548, above the symbolically important 25,000 level. The Nasdaq Composite traded mostly negative during the day but reversed course and closed 36 points higher, or 0.39%, closing at 9412 and finally the Russell 2000 jumped 43 points or 3.11% to close at 1436.

Comeback from the coronavirus



In cruel irony, while the stock market was breaking through its barriers, the devastation of the

coronavirus broke through a brutal barrier of 100,000 deaths in the United States related to Covid-19. While the realization of the toll that the coronavirus has exacted weighs heavy, nevertheless, Americans were told Wednesday by Dr. Fauci that a second wave of the coronavirus outbreak in the United States “could happen” but is “not inevitable”. Dr. Fauci pointed to being thoughtful and reopening the economy “correctly”. Investors are reading the change in tone of Dr. Fauci as much as his words. His assessment in April, was that “we **will** have coronavirus in the fall”. More recently he has reached for a balanced tone as he acknowledged other issues play into the decision of how to reopen the economy. Dr Fauci recently offered that stay-at-home orders intended to slow the spread of the disease could end up causing “irreparable damage” if imposed for too long.

Central bankers around the world have done much to try to blunt the economic damage from the public health guidelines to combat the coronavirus. Markets have responded to this stimulus worldwide. Today, Japan approved a \$1.0 Trillion stimulus plan while the European Union is working on a 750 billion Euro plan to support the EU’s economy.

The EU has a particularly difficult challenge as multiple sovereign nation/states all have independent decisions on how to raise tax revenue yet trade a common currency. This construct means disproportionate burdens for each country. In order for the Euro to survive as a viable currency the financially strong countries in the northern and central parts Europe have to continue to carry the financial weak countries that surround the Mediterranean Sea. Progress toward a comprehensive stimulus in Pan-Europe is hard won and requires much of the Germans, French and Swiss -- for which other European countries are benefited greatly. Obviously, Europe is an important trading partner with the United States and keeping a stable European currency benefits the U.S. economy as well.

