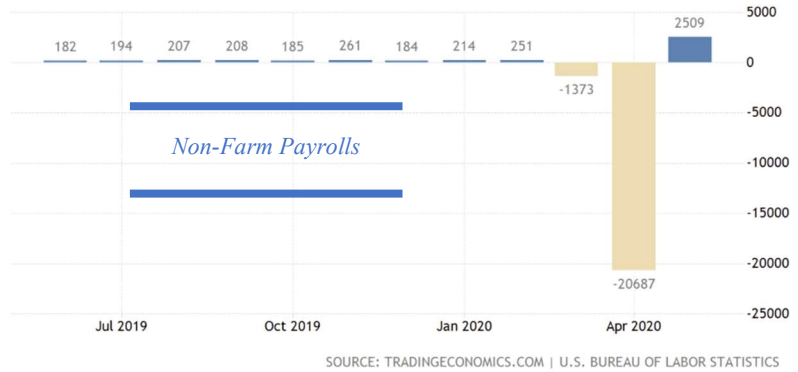


Labor Surprise Fuels Stock Surge
June 8, 2020

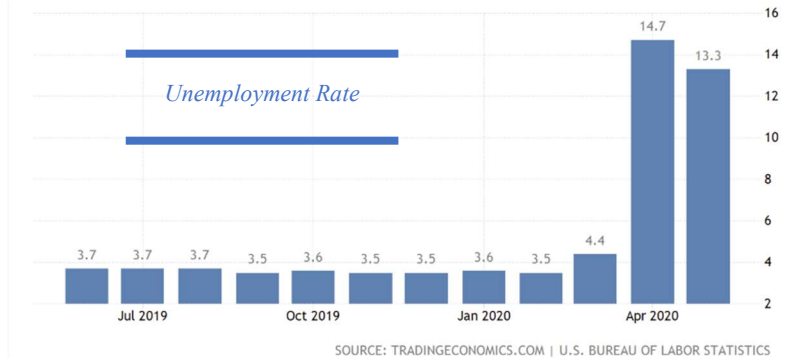


The stock market followed through on Friday's surge with a strong rally today. The S&P 500 rose 38 points, or 1.20% to close at 3232 which is now basically even for the year. The Dow Jones Industrial Average jumped 461 points, or 1.70% to close at 27,572. The Nasdaq Composite gained 111, or 1.13%, closing at a record high of 9925 and finally the Russell 2000 surged 30 points or 1.97% to close at 1537.

Friday's positive labor market surprise kept the good times rolling today in the stock market. Instead of an expected loss of 8.0 plus million jobs in May, the Labor Department announced that the economy added 2.5 million jobs – a positive surprise indeed. After surging on Friday, the market continued rising today. The positive analysis of the good jobs report is that employees have remained tied to their employers to a greater degree than thought, coupled with the added benefit that states are continuing to reopen without a surge in new coronavirus cases. The negative analysis is that if this is a one-month aberration, or if it is distorted due to government programs, only to fall later, then the distortion may delay needed additional stimulus.



Additionally, the National Bureau of Economic Research (NBER), who is charged with tracking and declaring recessions and expansions announced today that we are officially in a recession. The committee said that it had determined that economic activity had peaked in February citing sharp drops in employment and personal consumption. The declared recession ended the 128-month economic expansion that began June 2009 – the longest on record.



Despite the recession declaration by NBER today, the S&P 500 climbed back to even for the year and the NASDAQ Composite hit an all-time high.... What gives? The stock market looks forward and tries to anticipate where the economy is going and not where it has been. It appears that the stock market is betting that the recession will be short lived than anticipated. Clearly the prospects of economies opening without a spike in coronavirus cases is encouraging. However, there is still a lot of ground to plow as we work through the economic dislocations.