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## **BLBB Advisors, LLC – Weekly Market Update**

Friday, April 3, 2020

As expected, it's been another eventful week. On the coronavirus front, the number of confirmed cases around the world crossed over the 1 million mark with about 250,000 of those in the US. Just over 20% of these confirmed cases have already recovered (<https://coronavirus.jhu.edu/>). Of the 759,000 active cases, 95% are classified as "mild" (<https://www.worldometers.info/coronavirus/>). In the US, it is beginning to look like social distancing efforts may be starting to bend the coronavirus infection rate curve in New York City – one of the hardest hit areas in the country ([https://papers.ssrn.com/sol3/Papers.cfm?abstract\\_id=3563985](https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3563985)).

On the economic front, lockdowns around the US and overseas are beginning to take their toll. This is not surprising given that more than half the world's population is currently living under a lockdown order (<https://www.nytimes.com/2020/04/03/world/coronavirus-news-updates.html>). During the last two weeks, for example, over 10 million Americans filed for unemployment. The magnitude of this number is unprecedented and foreshadows what is likely to come on the unemployment front over the next several months. Already, the US unemployment rate has jumped from 3.5% to 4.4% and is predicted to quickly top 10% or more. We do not yet have any clarity on what US GDP figures will look like this year, however, it appears all but certain that the US economy will sink into recession soon (assuming it isn't already there) due to the sudden shock of the coronavirus and the ensuing lockdown measures. The same should hold true for many economies around the world (<https://markets.businessinsider.com/news/stocks/us-recession-coronavirus-pandemic-firms-forecasting-economic-distress-predictions-2020-2020-3-1029019597>).

US equities started the week on an up note and then trailed off as the week progressed. The unemployment claims data weighed heavily on our markets and was a sobering reminder there is additional unpleasant economic news to come throughout the second quarter. Still, as of this morning, the S&P 500 was only off about 20 points, or .74%, from its close last Friday (3/27). The VIX – an index that measures volatility in US equity markets – remains elevated but is slightly off the all-time high point it reached several weeks ago.

We continue to believe US financial markets will remain extraordinarily volatile in the coming month or two as the economy attempts to come to grips with and absorb the financial and emotional impacts of the coronavirus pandemic. Corporate earnings announcements for the first quarter of this year will begin later this month and most expect these will be significantly worse than last quarter's earnings. Many companies have also scrapped their previously issued earnings estimates for the remainder of 2020. It may be a while before companies have enough clarity to understand the true economic impact of the pandemic on their industry and company. That being said, at some point we will turn the corner on the virus and the news flow will turn more positive.

Also, the positive economic impact of the massive fiscal and monetary stimulus efforts recently initiated by Congress and the Federal Reserve will soon begin to filter through the economy and hopefully support it through this difficult period. For now, these efforts are designed to provide economic relief to businesses and individuals who are financially suffering and basically prop up the economy until we begin emerging from lockdown and resume our normal activities. We think it is quite possible there will be additional rounds of stimulus in the coming months and that these could be more focused on stimulating rather than supporting the economy. The bipartisan approach to swiftly developing and implementing massive stimulus efforts has been a refreshing change and hopefully will continue.

This is a highly fluid situation and we will continue to communicate with you on a weekly basis about what is happening in the US economy and financial markets. Please stay safe and healthy and do not hesitate to call or email if we can be of assistance to you and your family! Also, look for our next update on Friday, April 10<sup>th</sup>.

Before we sign off for this week, we wanted to share a couple of helpful personal financial tips:

1. Thanks to recent legislation, those who would otherwise need to take a required annual distribution from their retirement accounts in 2020 will now not need to do so this year. Because your RMD is generally considered to be taxable income to you, it may be to your advantage to hold off on taking your RMD this year. We recommend you consult with your tax advisor to discuss whether or not you should opt to forego taking your RMD this year.
2. Given that many will have less income this year due to employment dislocations, lower salaries, layoffs, etc., this could be a good time to consider rolling traditional IRA money into a Roth IRA. Again, this is something you should discuss with your tax advisor.