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BLBB Advisors, LLC – Weekly Market Update

Friday, May 1, 2020

As we close out our 6th week of working remotely and the 6th week of the statewide shut down here in Pennsylvania, we are beginning to see a small glimmer of light at the end of the tunnel! Over the last several weeks, a number of states, including many in the midwest and southeast, have begun lifting restrictions. Here in PA, golf courses and state parks are reopening early this month and it appears that, in some portions of the state, some of the social distancing restrictions will begin to ease. Each state has its own set of reopening policies and procedures. In Pennsylvania, a 3-step process has been developed and it will be applied regionally rather than county by county. In order to move from the “red” stage to the “yellow” stage and then to the “green” stage, a region will need to meet certain criteria including a caseload per 100,000 residents’ figure that is calculated over a rolling 14-day period. Because this situation is so fluid, however, it remains to be seen whether Pennsylvania, or any other state for that matter, will stick to their reopening plans as they are now stated.

In honor of PA state parks reopening on May 8th and with the weather finally starting to improve here in the northeast, we wanted to tell you about two local parks you might want to visit and explore. The first is Ricketts Glen State Park in Benton, PA. Ricketts Glen is about 2 hours north of our Montgomeryville, PA office – you basically head north on 476 before heading west when you hit Wilkes-Barre. There are many things to do at Ricketts Glen, but one of the most popular activities is to hike the Falls Trails System. You can see 22 waterfalls on this hike! The full hike is 7.2 miles but there is a shorter 3.2 mile-version of the hike that still allows you to see most of the waterfalls. To learn more about Ricketts Glen, click [here](#).

If you are looking for an outdoor activity that is a little closer to home, or maybe one that is dog-friendly, why not explore some of the favorite trails in the Wissahickon watershed area? Check out the Wissahickon Trails website [here](#) for some great local hikes.

Before we get into our brief economic update, we also wanted to let you know we will be moving from a weekly to a bi-weekly economic update schedule. After today, our next update will be on Friday, May 15th. Barring any unforeseen circumstances, our plan is to return to our usual monthly publication schedule by the end of this quarter. Our goal is to provide you with timely, relevant, and useful information about the economy, financial markets, and financial planning without also overwhelming you.

This week has been somewhat historic in a number of ways. First, US equity markets turned in their best monthly performance – up 13% -- since 1987. We are now about 30% above the lows US equity markets reached in late March (<https://www.wsj.com/articles/global-stock-markets-dow-update-04-30-2020-11588224841>). At the same time, this week featured a slew of poor economic data. We learned, for

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example, that another 3.8 million filed new unemployment claims bringing the total of newly unemployed workers to about 30 million. Although the official monthly unemployment rate stands at 4.4%, it is likely US unemployment rate is well above 20% now (<https://fortune.com/2020/04/23/us-unemployment-rate-numbers-claims-this-week-total-job-losses-april-23-2020-benefits-claims/>). Other recent economic data further illustrated the grim toll the societal shutdowns are having on the US economy. We have just learned that consumer spending has fallen by 7.5% (sharpest monthly decline since this data set began in 1959), 1st quarter GDP shrunk by 4.8% (and the first 2 months of 2020 were not really impacted by Covid-19) , and the manufacturing index fell more in April than it has since 2009 (<https://www.wsj.com/articles/u-s-factory-sector-contracted-in-april-11588343731>).

While the unemployment data actually appears to be improving slightly – week over week new claims are still at historically high levels but they are rising at a decreasing rate – we anticipate there will be at least several more months of poor economic data to come. We also expect that as states reopen and as businesses are allowed to resume at least a portion of their usual business activities, the economic data will eventually begin to improve.

As we noted in last week’s briefing, it is likely that US financial markets will remain volatile as they continue to digest economic and corporate earnings data throughout the 2nd quarter. We are hopeful we will begin to see some economic improvement in the 3rd quarter and that 3rd quarter economic data compares favorably to that of the 2nd quarter.

Many investors have been surprised by the rebound in US equity markets in April – especially in the face of the constant flow of poor economic data. It is important to keep in mind that the markets tend to be forward looking and are often anticipating economic and corporate earnings activity 6 – 9 months into the future. Because the US economy entered the coronavirus pandemic on strong footing and the government responded so aggressively with enormous relief and economic support packages, the general consensus for the moment is that the economy should recover relatively quickly once the height of the pandemic has passed. While we will all have to wait and see how this plays out, hopefully this turns out to be accurate.