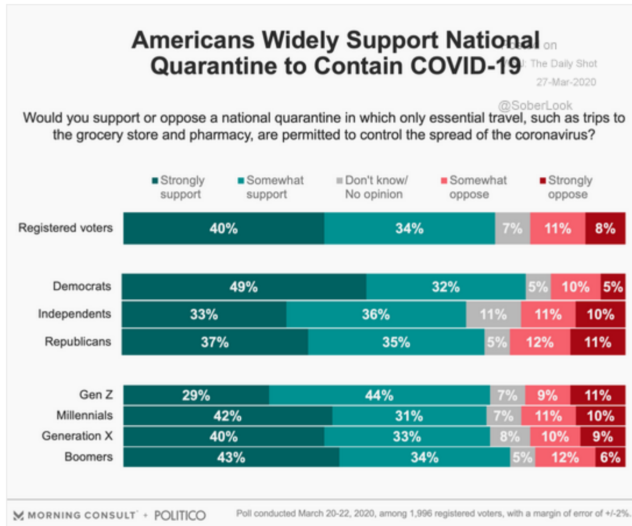
The Virus dictates the economic impact which informs the market response

The first four days of the week of March 23rd was the best start to a week in the stock market since 1932. While this market still reflects an unprecedented buying opportunity, we expect more volatility and a potential retest of the bottom. This belief is largely driven by the continued lack of clarity surrounding the virus's duration of impact on the global economy.

Voters and Virologists support the quarantine



Balancing economic productivity with prudent virus management will be the public dialogue in the coming weeks. The interconnectivity of society makes it hard to imagine the global economy quickly flipping a switch; the recovery will likely be more like lights gradually turning on. Consider how long and disjointed it took the United States and the global community to get to the current state of lockdown and attempt to "flatten the curve". As an example, here in Dallas we are subjected to a federal guideline, a state mandate, a county mandate, a city mandate, a school system mandate and an employer/business mandate. These guidelines and mandates are unclear and often contradictory. As it relates to school systems around the country - some have already provided guidance that the remainder of the school year will be finished via distant or e-learning, making it hard to see a return to normalcy until at least summer break. As we have said in our previous updates the key to a sustained market rally and economic resurgence is to have a better handle on the depth and breadth of the virus. In order for this rally, we need to see a peak in new cases, to better understand how long the sick and exposed remain contagious and we need effective testing to know who has antibodies present to fend off the illness.

Reality sinking in with 3.3mn jobless claims, still too early to handicap the final results

3.3 million people filed unemployment claims last week, by far the highest since the DOL began tracking the statistic in 1967 (previous high was 695k in 1982). Analysts project these historic weekly numbers for the next month (see chart) The good news is we believe once an orderly return to the workplace is achieved consumer spending will pick up relatively quickly, assuming the virus doesn't linger and cause an extended economic shut down. Just as Americans were encouraged to invest in wartime bonds during WWII, we are now tasked with supporting local restaurants and businesses once life normalizes. This, coupled with the fiscal stimulus working its way to the consumer, will help prime the main street economic pump but will not be a cure-all. You can generally classify bear markets into one of three categories: **event driven** (like 9/11) which are short lived (9 days) and quick to recover (15 days), **cyclical** which have slightly longer length (27 days) and recovery (50 days), and finally **structural** which has the longest length (43 days) and recovery time (111 days). The challenge we face is that we were already reaching a cyclical bear market, which was exacerbated by an event of indeterminate length (at least as of now) which could result in structural unemployment.

For these reasons we continue to opportunistically buy and sell at the margins but believe that discipline in the bear market rallies will be rewarded for the long-term strategic investor.

The team at Brookmont are happy to share additional thoughts on the markets and our portfolios.

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