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We hope you are enjoying the summer and staying healthy in these trying times. Now that we are officially in a recession, we are looking for clues on how long we will stay in it and what the recovery will look like. The good news is that economic data seems to have bottomed and stock market investors are eager about the future of the economy, bidding up stock prices.

When assessing the recovery, we have to look closely at consumers (that is to say, all of us), who make up roughly 70% of gross domestic product in America. While the stock market's recovery currently looks like a V-shape, the economic and corporate earnings recoveries are just starting to come off their lows and may not look like a V. We think the economic recovery will be longer and look more like a U, which could cause more stock market volatility as investors lower their expectations. One key data point to watch is how consumer spending will look during the next few months.

That consumer spending will be determined by two main factors: how much the consumer has to spend, and how much mobility the consumer has to spend the money they have. There has been a rise in online spending, but people will need the ability to get out of their homes to spend money on big-ticket items like vacations, restaurants, and entertainment events.

The first factor, the amount people have to spend, has been mostly augmented by the government through a program that encouraged employers to keep their workers employed and additional unemployment benefits for those that were unfortunate enough to lose their jobs. These programs kept money in the hands of consumers, but they are set to expire soon. If the government does not extend them, consumers will have less money to spend, and we anticipate more layoffs and hardship for people that are already laid off.

We've been tracking the second factor, social distancing, through unique metrics that we generally don't follow in typical recessions. For example, we've been looking at data on TSA check-ins to monitor airport traffic, and the number of restaurant reservations across the country. There are a couple of components to social distancing—the virus being the predominant one. With the recent uptick in COVID-19 cases, local governments are rolling back their eased restrictions and would-be consumers are back at home. Once the virus is more under control and local governments loosen restrictions again, the next obstacle will be people's fear of the virus and how comfortable they are using their new- (or perhaps old-) found freedom of going out and enjoying different activities. With the new restrictions imposed by local governments and rise in virus cases, we have seen sharp spikes in social distancing metrics, which does not bode well for consumer spending.

While we do see challenges ahead, we don't want to paint a completely dire picture. Consumer spending is coming back, and we don't think there will be another nationwide shutdown. We do feel there will be more equity volatility though, as investors reassess the shape of the recovery, which we believe will take longer than many investors are anticipating. We continue to recommend focusing on what you can control, sticking to risk tolerances consistent with your long-term goals and objectives and being diversified among sectors and asset classes.

These are challenging and uncertain times, but we can help you stay on course. Wishing you all the best!