



Seeing Around Corners

The major market headlines of the week were focused around oil prices, as [WTI](#) traded at a negative price point for the first time. The weak demand from a global economic shutdown combined with oversupply from a Saudi and Russian standoff led to the cratering in the price of oil. While [we have seen some stabilization in the oil markets by weeks end](#), bouncing from a low of -\$39.44 on Monday to a close of \$15.58 on Thursday, we do not believe this an all clear. The weak demand will persist as long as we are in a global economic shutdown and when we begin to see renewed economic activity there will still be an excess supply of oil that producers will need to burn through.

On Capitol Hill, Democrats and Republicans were able to reach a deal on Tuesday for [another round of stimulus](#). This package includes funding for hospitals, testing and a replenishing of the PPP (Paycheck Protection Program). The rollout of the first PPP loans was riddled with issues, as we heard from many of our clients who have sought out the benefits of these loans. The hope is that the reputational hit that [major banks, publicly traded companies, and the SBA](#) took for mismanaging the first round will lead to the funds reaching their desired targets this time. **While [Secretary Mnuchin says we need to do whatever it takes](#), we would tell our clients not to be too optimistic about further stimulus coming their way.**

According to major financial news sources, [if there is a 4th phase of the stimulus](#) it will be more targeted; perhaps "bailing out" specific industries (airlines, oil companies).

Locally many state and municipal leaders continue to struggle with the way to open their local economies. Most notable was Mayor Carol Goodman of Las Vegas calling for the reopening of the casinos, hotels, and restaurants, [while volunteering her constituents as a 'control group'](#). **While we are sympathetic with the calls to get back to some type of normal, there is a legitimate concern that reopening too quickly could expose us to a second wave similar to the [Spanish Flu](#).** We will be closely monitoring what comes out of both Washington and our local governments as they attempt to balance both economic and health concerns.

Another week, another historic unemployment print, as this week saw an additional [4.4 million initial jobless claims](#), bringing the total claims since the beginning of this pandemic to over [26 million in just 5 weeks](#). But the market once again shrugged this off believing that continued stimulus will lead to a "V" shaped recovery. **We continue to see a dislocation between equity market valuations, negative economic trends, warnings from medical professionals, as well tempered outlooks from CEOs, and economists.**

Along with continued queries regarding the economic stimulus, we continue to field calls from clients eager to buy into the equity market, believing that stocks are now cheap. We continue to believe a [bottom is a process, not a price](#). Equity multiples continue to trade at elevated levels compared to historical norms and while credit spreads have tightened somewhat, it is still not business as usual in the credit market. We continue to believe that the most likely scenario is a "W-shaped" recovery (or double bottom) in equity prices and urge our clients not to rush. As we say in our note [Fashionably Late Or Dimwittedly Early?](#) We'd rather be late to a great party, than early to a dud.

We'd love to hear your thoughts.



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