



# Investment Focus

## The Increasing Rate of Change

It has been said that “there are decades where nothing seems to happen and then there are weeks where decades happen.” This spring was no exception. We have experienced change that occurred at unprecedented speeds, including physical distancing, home isolation and the voluntary shut down of economies. This led to equally unprecedented reactions: oil futures prices falling to negative levels and rebounding, entire industries being shut down, and record unemployment levels.

Equity markets reacted in a similar manner, falling and then rallying quickly. Typical bear market cycles last between 18 to 36 months. However, this past spring, we saw one that was compressed into a matter of weeks.<sup>1</sup>

Global policy responses have also been faster – and deeper – than ever. From the onset of the crisis, central banks have engaged in significant stimulus efforts in an attempt to stem the effects of the crisis. This increase in liquidity has likely been one reason why the equity markets advanced in April and May, despite what was happening on the ground.

What does the path forward look like? As humans, we grasp for certainty. Yet, uncertainty has always played a common role in the financial markets and unforeseen events such as these can make things even more unclear. One such example: economists attempting to quantify the effects of the shutdown on second-quarter gross domestic product predicted U.S. GDP estimates of between -8 and -50 percent.<sup>2</sup>

During these times of uncertainty, one of our most important roles as advisors is to manage risk. With a focus on preserving hard-earned capital, we maintain a disciplined approach to control risk in portfolios. At the same time, we are monitoring investments based on current market conditions and navigating the changing landscape.

In the near term, equity markets are likely to experience volatility as economic data and earnings continue to reflect the impact of the spring economic shutdowns. We face many near-term challenges as many economies start to reopen and attempt to return to a state of “normal.”

As containment efforts continue, opinions are likely to significantly vary about the road ahead for the economy and the financial markets. We understand the challenges that come from an uncertain near-term outlook, but, as much as possible, investors should try to stay focused on their long-term goals.

I/We continue to work hard for you and your investments, managing risk during these difficult times and positioning portfolios for the inevitable changes that lie ahead. Please call if you have any concerns.

1. <http://bloomberg.com/news/articles/2020-04-06/no-one-wants-to-call-canada-s-21-stock-surge-a-bull-market>

2. <http://bloomberg.com/news/articles/2020-03-22/fed-s-bullard-says-u-s-jobless-rate-may-soar-to-30-in-2q>