

Wentz Weekly

March 30, 2020

Stimulus Bill Signed into Law Unemployment Claims Skyrocket



Investment management for your lifetime

President Trump signed the CARES Act Friday which provides \$2.2 trillion in relief to individuals and businesses. This will give businesses the ability to continue payroll while the economy remains shut down, in addition to loans to businesses in affected industries, direct payments to individuals, expanded unemployment insurance, funding for state and local governments, provisions for retirement plan distributions and another credit facility to provide loans to businesses. To view a recap of the legislation, click [this link](#). The expectation of stimulus drove a 20% rally over a 3-day period last week, the second best 3-day rally in the market's history.

The US Food and Drug Administration issued an authorization for the emergency use of two drugs to treat patients with COVID-19. The two drugs, hydroxychloroquine and chloroquine, are typically used to treat malaria. There is limited scientific evidence the drugs are effective in treating the COVID-19, but early studies show a decline in number of patients needing ICU and a quicker recovery period. The FDA recognizes the lack of evidence but said the benefits outweigh the risks.

Individuals are Googling unemployment and recession more than what they were during the heights of the Financial Crisis. The amount of volume of those searching unemployment or recession over the first 20 days of March far exceed the volume of the same searches during the whole Financial Crisis. As you keep hearing these terms in the news, remember how important it is to avoid getting caught up in media headlines, refrain from making emotional investment decisions and keep in mind your long-term investment objectives.

The DOL reported there were 3,283,000 individuals that filed a new unemployment claim for the week ending March 21, an increase from 282,000 the week prior. For comparison purposes, the highest number of new claims was 695,000 in October of 1982, and throughout the worst weeks of the Financial Crisis was roughly 650,000 at its worst, this due to the fact new jobless claims were spread over a longer period of time. The 4-week average right now is 998,250 after trending in the low 200,000s for the last couple years. Continuing claims, which lag by a week, rose from 1.702 million to 1.803 million, a number which will increase over the upcoming weeks.

The Nikkei is reporting Apple is considering delaying the release of its 5G iPhone lineup that is expected this fall. Supply constraints could force a delay, but Apple is also worried the pandemic might lower consumer's wants for phone upgrades. The report says Apple will decide by May at the latest.

If you look at history, over time our country has had to overcome adversity and the markets have always rebounded. Throughout this downturn it is our responsibility to remind all of you that panic is not an investment strategy and that trying to time the market is futile. Stick to your long-term investment objectives in times of uncertainty.

Company News

- Boeing finished the week up 71%, after passage of the stimulus bill and news that production of the 737 Max that has been shut down for a year could restart in May.
- Target, among other grocery stores, has been a beneficiary, evident by its comparable store sales growth of 20% so far in March. For comparison, last quarter Target saw comps of 1.5%. However, driving higher comps are sales of lower margin items. On the other hand, comps on higher margin items such as electronics and apparel are down over 20%.
- Nike reported quarterly results last week that were better than expected, and said market conditions in China, Japan and South Korea were improving. Revenue from China fell 4.0% in the quarter ended February 29th.

The Week Ahead

Economic data for March will begin to arrive this week where we are expected to see signs of deteriorating conditions. Mid-week we will see multiple manufacturing surveys along with trade data for January. The weekly jobless claims number released Thursday will be in focus and is expected to show another multi-million number in new claims, followed by the employment report on Friday where we are expected to see the first monthly job loss since 2010. Several companies will report earnings as well, including Conagra, McCormick, Walgreens and Chewy. The more important data for the markets will be the daily release of confirmed cases of COVID-19.

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