

COVID-19 (Novel Coronavirus) Pandemic - Stock Market Optimism

June 22, 2020. The Stock Market opened today on a positive note as investors continued to indicate they believe that the economy will continue to rebound despite the rise of new cases of the virus over the weekend. Market analysts constantly remind us that the stock market reflects what will be happening off in the future, not what is going on today. That is not to say that the market doesn't react to current events. For example, last week Apple announced the temporary closing of stores because of the increase in virus cases and the market immediately declined.

While politicians and epidemiologists argue about whether we are still in the first wave of the pandemic, states are pressing ahead with reopening the economy. The sharp increase in cases in some states might slow down the process, but we are definitely in a second phase of reopening. Soon all states will allow customers to shop in stores and eat in restaurants (or in outdoor seating). That means more employees will be leaving unemployment rolls and returning to work; a positive for the economy.

The reopening news will be happily greeted as the populace yearns for a return to some form of normalcy. The unknown question is to what degree will customers and businesses respond and how quickly? Will a restaurant elect to open if it can only operate on a limited basis? Will consumers not be anxious to go out to eat if fears about the virus are still present? Will social distancing and wearing masks make the experience less attractive? The stock market is telling us that the economic outlook will outweigh downside risks of the pandemic.

For amateur investors, like me, who follow the market on a daily basis, our emotions are constantly being tested. When the market is up we feel good and we worry about every dip. The virus presents another emotional challenge, especially if you are older, like my wife and me. If I step back and remove emotion from the process, I can see what the stock market is telling us; the bottom was hit back in April and the recovery is underway, but the speed will be hampered by the uncertainty of the virus. Uncertainty is something that the stock market never likes.