A BRIDGE TOO FAR

For those unfamiliar with this iconic WW2 book, it deals with a failed attempt in 1944 by allied paratroopers to capture vital bridges near Arnhem, Holland. **It has become a synonym for "a long shot", or an overly ambitious plan**.

So it is perhaps an appropriate analogy for the aggressive re-openings in the F-CAT states (Florida, California, Arizona and Texas). The resurgence in Covid cases, mainly in younger people, has led to a rapid reversal of policy: Texas and Florida have reclosed bars and beaches, re-imposed restrictions in public places and Disney has delayed it's opening. The outbreaks in two of the most populous states in the US was part of Friday's 44,373 daily new cases, the third straight day US infections rose at a record rate. <u>So far the hospitalisation and death rate has fortunately not kept pace, but that may well change</u>.

Needless to say, the rapid and large increase in these numbers was not taken well by medical experts, economists and investors.

The end result was we had a complete reversal of the previous week's "what me worry ?" markets' **UP** performance. The winners this week were select foreign currencies, (CDN dollar not included) bonds and gold. Major global index losses ranged from 1.4% in France to 2.86% for the S&P500 and 3.31% for the Dow Jones. Our TSX was down 1.84% with all the major sectors, other than gold, being in the red.

Market losses may have been tempered by recent studies that show <u>many investors are still bearish and thus sitting with lots of side-line cash</u>, perhaps limiting the number of potential "sellers". A Wall Street Journal article a few weeks ago discussed how 30% of Fidelity account holders went to 100% cash in March and a recent survey of investors aged 60-plus showed they are as bearish now as they were when COVID-19 was running rampart in NYC. Also "helping" was President Trump confirming the trade deal between the U.S. and China was "fully intact," and he hoped Beijing would continue to live up to the terms of the agreement. As well, <u>another stimulus package is in the making</u>, with no firm details yet, but Treasury Secretary Munching told reporters, "Whatever we do it'll be much more targeted, much more focused on jobs, bringing back jobs and making sure we take care of our kids".

Lastly, and for me who had an 18% mortgage back in the 1980's – boggling: Austria issued its second 100-year (yes, you read it right: 100 year) bond last Wednesday. 2 billion-euros (and 10 times oversubscribed) with an **annual yield of, wait for it, 0.88%!!** If that does not say it all about the frantic need for "safety" at any cost, nothing does. So, as I have commented before: yes, governments are committing billions of dollars to support industries and individuals as we fight this crisis, but at these interest rates the cost is minimal.

With the July 4th holiday weekend coming up, the next few weeks may well be pivotal for the US economy and the need to "reopen" and no less so for investors.