

## THE CURATE'S EGG

For those not familiar with this joke in the May 1895 edition of the British Satirical magazine *Judy*, I will allow you to Google it. Why? Because if you are like me, then you likely need an untold number of distractions to get through a social distance day.

The **bad** the markets ignored was:

- Another 5.2 million Americans filed initial unemployment claims in the week ending April 11. That brings the **total unemployment claims over the past four weeks to 22 million.**
- **US banks**, along with miserable Q1 profits, announced **billions more set aside for loan losses, sending the bank shares lower for the week.** (Can Canadian banks be far behind?)
- Despite Mexico and the US joining OPEC and Russia in cutting oil production, **Nymex crude was down over 19%** and ended close to \$18 by Friday's close (again not good for Canada).
- **China's economy shrunk for the first time in 40 years**, down some 6.8% year-on-year.
- And while some progress has been made in slowing the spread, the number of **Covid-19 cases and the death toll continues to rise.**

Amongst the **good** equity markets enthusiastically embraced was:

- Some US states announced **plans to begin the process of reopening their economies.** In Canada, however, government officials, so far, have said that decision is still many weeks away.
- **Boeing said it would resume aircraft production** in the Seattle area as early as Monday.
- Gilead Sciences reported some successes against the coronavirus with their **antiviral drug Remdesivir.**
- Governments and central banks worldwide continue to announce further **new measures to provide relief to businesses and individuals** impacted from the global shutdown.

**Bottom line** A strong up-move on Friday by most global equity markets. The S&P 500 managed its first back-to-back weekly gains since early February, climbing 3% for the week, while the Dow gained 2% and the Nasdaq jumped 6%. All indices are up considerably since the late-March lows. Canada's TSX managed a 1.36% gain as every sector, other than gold, joined in Friday's exuberant rally, even the beleaguered oil shares.

**The week ahead may well be key to the path ahead** as about a fifth of the S&P 500 companies will report results before the closing bell on Friday, including such heavyweights as Delta Air Lines, AT&T, Coca-Cola and IBM. On the economic front

this week are updates on existing and new home sales, durable goods orders and another jobless claims report.

We will thus be finding out how well balance sheets are holding up and if share prices are properly reflecting the downturn or have "got ahead" of reality. Even if we get a pullback in prices, you will know from my previous emails that, I believe the low price points have been seen and recent strong rallies make it even more unlikely that any declines will come close to the drops we witnessed in March.