

## THE SECOND WAVE?

Ever since March, the majority of investment and medical experts shared a common theme – **expect a second wave**. The challenge, of course, is always timing. In the case of stock markets, (maybe) testing March's lows, sell too soon and miss the bulk of the gains, and in the case of Covid cases, lock down again too soon or too much and face even greater financial disruption and economic woes. **The reality is there is not a perfect answer except, as always, in hindsight.**

**Nevertheless, as I write this on Sunday morning, it does appear the second wave is at hand.** Covid cases continue to increase sharply everywhere and new restrictions were imposed in many parts of Europe, the UK and even close to home in Ontario. The renewed outbreaks and an absence of "stimulating" news from Central Governments' "stimulus" programs led to the third week of market losses. The S&P500 is down 5.4% in three weeks, and most of the performance leading technology or "stay at home" beneficiary stocks have fallen anywhere from 15% to 20%; think Apple, Amazon, and Netflix, to name a few.

Last week, the main winners were non-North American. The emerging markets index, mainly China up 1.3% and Shanghai rising 2.4% (side bar – which major country's economy has emerged relatively unscathed from Covid19? Hmmm), while the large EAFE index was +0.7% (EAFE = Europe, Australia and the Far East). The TSX barely moved, as energy and technology losses were offset by rallies in the REIT and utility sectors.

I expect a challenging start to the week as we are back on the old Teeter-Totter (see April 6<sup>th</sup> **TWTW** on our website). This time we are adding the fast approaching US Presidential elections to the challenges of the pandemic. The opposite side of the see-saw is, of course, the promise of a vaccine and a return to some semblance of the old normal. As well, we have VERY low and lowering borrowing costs. The UK may be the next country to go to negative rates, with the potential of more government direct financial help to workers and corporations.

**Strategy** – a mix of "*work at home*", balanced by "*back to work*" companies seems prudent. Add in an appropriate cash reserve for any future bargains and a touch of gold (my stance: much higher inflation is coming) and you should be well positioned for the very interesting months ahead.