

## WHEN BAD NEWS IS GOOD NEWS

Another week of climbing the wall of worry (or scepticism) by equity markets and, despite a multitude of issues to concern investors – **stock markets, everywhere, were up.**

The US led the pack with the **Dow Jones Index gaining 3.8%**, the Nasdaq and broad based S&P500 both up 2.5%. Even the **TSX performed well, gaining 2.3%**, with energy shares and the financial sector doing the major lifting. Maybe the banks' loan losses related to the Covid shut down may not be as bad as most analysts widely expect. Non-North American indices also did well - **Japan's Nikkei rose 2.9%** and the **Euro Stoxx 600 was up 2.0%**.

And what of the "**bad news**" so notably ignored? A small sample:

- D.C. lawmakers failed to secure a new Coronavirus relief bill.
- President Trump signed orders banning Chinese apps *TikTok* and *WeChat* from the U.S. unless they are sold to other companies within the next 45 days, further heightening US-China tensions.
- Secretary of State Pompeo detailed a "Clean Network" effort aimed at curbing potential national security risks, expanding the "5G Clean Path" program. The U.S. wants to see "untrusted Chinese apps" removed from Apple's and Google's app stores.
- The US Treasury will borrow an estimated \$2 TRILLION in the second half of 2020.
- Reports indicate that without significant stimulus, an estimated 35% to 45% of the 30million small businesses in America will begin to permanently close by Labor Day.
- President Trump reimposed a tariff of 10% on some Canadian aluminum imports. "Canada was taking advantage of us, as usual ... Very unfair to our jobs and our great aluminum workers." Ottawa said it would retaliate with proportional tariffs.
- **A new phrase you may hear more about: "GOING DIRECT"** - a central bank response when monetary policy is exhausted and fiscal policy alone is not enough. That response will likely involve the central bank finding ways to get funds directly in the hands of public and private sector spenders.
- Essentially, the Coronavirus will make the world look more like China, in terms of the state's involvement in private-sector activities. It is the U.S. converging to China, not the other way around states Stephen Jen, former economist at the International Monetary Fund.

I have stated this before and it's worth stating again, although interest rates may well stay very low for some years, the above measures are inflationary, and I firmly believe consumers are going to see higher costs everywhere from food, restaurants, travel, and even your local vet.