



Everything and the Kitchen Sink

This has been another volatile week in the markets, however much more to the upside for a change. Following Monday's recent lows, both the Canadian and US markets rallied over 20% from those levels by the end of Thursday, which is a reminder of just how quickly things can change. Now, this isn't to say there is no more downside left, just that the panic selling we have seen for most of March had a reprieve based on some positive news (for investors at least). While the COVID-19 crisis is still playing out in front of us, market participants now have a clearer picture about the policies that governments and central banks will be taking to help individuals and businesses ride out the storm.

There is an unprecedented amount of monetary and fiscal stimulus coming, most of which is either approved, or in the final stages of approval. Most influentially, the United States is following up the Federal Reserve's "blank cheque" policy with a \$2 trillion fiscal spending package (Coronavirus Aid, Relief and Economic Security Act, or CARES Act) This bill is meant to provide financial aid to those that need it most in the coming months and to help provide an economic buffer while social distancing measures prevent many employers and employees from heading into work. For a closer look at what this package entails, please see the

attached Global Insight Weekly report from RBC entitled “Everything and the kitchen sink” that breaks down how this money will be spent, and just how massive the scale of this program will be.

While our main concern at this time is the well-being of our clients, family and friends during this unusual period, we are consistently monitoring developments in several areas, including the spread of coronavirus, government responses, and our client’s investment portfolios.

Investors will need to prepare themselves for economic data that will deteriorate markedly in the weeks and months to come. Indeed, this has already started to happen. In Canada, for instance, unemployment insurance claims have already risen to nearly one million over the past week, representing nearly 5% of all employees in the country. Meanwhile, in the U.S., jobless claims rose to 3.28 million this past week, a significant jump from the 281,000 claims filed the week before. Interestingly, the equity markets responded well to this seemingly bad news, as they had already fallen meaningfully in the weeks leading up to these data releases, reflecting the increasing odds and anticipation of an economic recession. The stimulus measures we have referred to earlier have been drafted in the expectation of this occurring, in order to lighten the blow.

We continue to expect volatility to remain elevated in the near term until clarity emerges on the potential containment of the coronavirus. Nevertheless, we remain disciplined in our investment approach and know that these periods of uncertainty are good opportunities to ensure quality in the businesses owned in portfolios, while reiterating the value of proper asset allocation.

Should you have any questions or concerns, please don’t hesitate to contact us.