We vividly recall the financial crisis of 2008. The economy was quickly contracting, several financial institutions required bailouts, layoffs abounded, and the stock market plunged.
But we weren't grappling with fear tied to a health crisis then. We could attend the theater, eat at a restaurant, travel, or enjoy a live sports event. The roots of today's crisis are different, and nowadays we are in the midst of both an economic and health crisis. Activities outside the home have been greatly curtailed.
It's unsettling for everyone.
As we are all aware, the speed of the decline in stocks has been swift. Since the February 19 peak, the S&P 500 Index shed 34%, plummeting to its most recent low on March 23 (St. Louis Federal Reserve data).
The pace of the sell-off can be traced to the enormous amount of uncertainty tied to shutting down major portions of the economy. What will its ultimate impact be? The brightest minds continue to debate this.

We strenuously counsel against trying to time the market. Many analysts are experts at their craft, but they don't have a lock on the future. There are too many unknown variables.

Your own individually crafted financial plan remains our guide, as the plan is rooted in the precept that the U.S. and global economy expands over time…and with it, so do equities.

We don't know what might happen next year, but the long-term historical trend has been favorable. Let's continue to keep our long-term financial goals in mind, even during these trying times.

**A bounce off the bottom**

Since last month's low, the S&P 500 Index rallied 25% through April 9. Technically, a 20% rally from the market's bottom constitutes a new bull market–technically. As of April 9, the S&P 500 Index was a modest 16% below its February 19 peak (St. Louis Fed data). The recovery has been cautiously encouraging, and I believe there are three variables that can be cited.

First, the federal government passed the CARES Act. The bill includes over $2 trillion in spending, generous jobless benefits, loans and grants to businesses, stimulus checks, and more. It offers a much more aggressive response than in 2008. More will be needed, but it's a good start.
Second, the Federal Reserve has aggressively responded. Pre-crisis, there were questions whether the Fed had the necessary tools in its tool kit, given that interest rates were already low. Apparently, they do.

With much greater speed than in 2008, the Fed has launched numerous programs aimed at propping up the economy–from big business to Main Street.
The two-pronged attack has not been executed flawlessly, but it has cautiously encouraged investors to dip their toes back into stocks. While the economic outlook remains fluid, investors are trying to discern some form of an economic recovery in the second half of the year.
Third, there are signs the virus may be peaking. An April 12 headline in Bloomberg News offered a cautiously upbeat headline: "CDC Says U.S. Near Peak; 70 Vaccines in Pipeline." With signs that new cases may be peaking, talk is surfacing over how to best reopen shuttered industries.

**Q2 will be ugly**

The St. Louis Federal Reserve estimates that GDP, the largest measure of economic activity, could contract at an annualized pace of 50% in Q2. That's unprecedented. Yet, forecasts vary widely. In reality, we don't know how steep the downturn may be during the April-June period.
In just a three-week period, the number of first time claims for jobless benefits totaled an astounding 17 million (Dept. of Labor). For perspective, during the 18-month long 2007-09 recession (as defined by the NBER), first-time claims totaled 9.6 million.
A sharp contraction in the economy in Q2 is expected, and layoffs are the first, bitter fruits of the economic crisis.
However–and we believe this is important–the discouraging number of layoffs was brushed aside by investors. The more familiar Dow Jones Industrial Average added 2,107 points over the three days (respective Thursdays) when the massive number of new claims was released (St. Louis Fed).
It's not that bad news for Main Street is a reason for Wall Street to celebrate; far from it.
We are in uncharted economic territory, and the future is quite opaque. But the rally in stocks is an attempt by investors to sniff out an economic bottom and eventual economic recovery.
Remember, no one rings a bell that sounds the all-clear signal. Collectively, markets attempt to price in future events. We would expect large daily swings, both to the upside and downside, to continue amid the uncertainty.
We don't know if we'll see an uptick in new cases this summer when the economy reopens. We don't know if an effective treatment will be developed or how quickly a vaccine might come online.
And, for that matter, we don't know how quickly most folks will venture back into restaurants, airplanes or the public square.

**Final thoughts & hope**

We don't want to downplay the havoc created by COVID-19. We are living in a world that nobody could possibly have envisioned a few months ago. The impact caused by the virus has disrupted life around the globe. We have friends and loved ones who are dealing with this disease. It's incredibly unpleasant.
Yet, unexpected blessings have surfaced. People are reaching out to family and friends via texting and emails. Some are even connecting the old-fashioned way–by phone.
Families are closer than they have ever been before. Activities and jobs around the country have been suspended but not ended. And we are confident we will see an economic recovery take root and the pandemic will subside.
We are a resilient people. Together we will get through this dark night, and we will be stronger for it.

We recognize this is a difficult time. If you are the victim of an unexpected financial hardship, you are not alone. Let’s talk and put together a plan of action. We can help you tap sources of assistance that may make sense before digging into your retirement savings.
Just talking about it and putting a plan in place will be empowering and help reduce stress.