

# CHARTBOOK

## Market Comment

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# Market Comment

Stocks staged a big rally on Monday following news from biotechnology company Moderna Inc. that the first human trial of its SARS-COV-2 vaccine was a success. Shares of Moderna rose 30% and the S&P500 rose 3.2%. Moncef Slaoui, a Moderna board member who was appointed chief scientist of the US government's vaccine project "Operation Warp Speed" on Friday, said a vaccine by January is a "credible objective."

Stock markets have mostly moved sideways for the past few weeks, as have most bond markets. We are watching for a breakout from the range to the upside or downside which should provide some insight as to whether the trend in markets is up or down.

Also of note was news that Warren Buffett had trimmed his bank exposure. Berkshire Hathaway sold a third of its Goldman Sachs holding, and 14% of its Wells Fargo shares. Financials have been one of the hardest hit areas of the market during the pandemic, and have not bounced back from the March lows nearly as strongly as other sectors such as technology.

News has taken a bit more of a positive tone lately as there have been productive developments with regard to vaccines and virus infections.

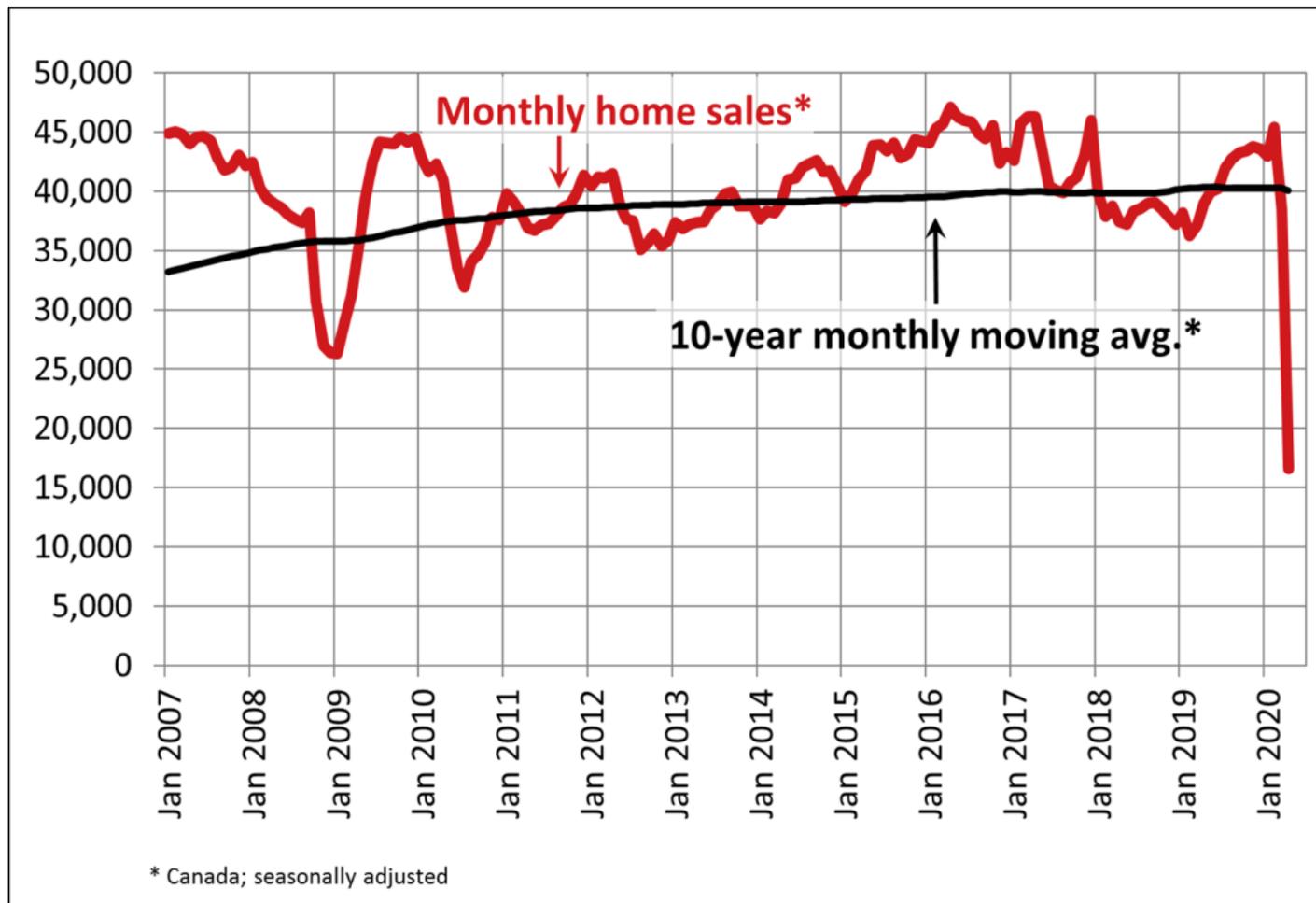
# Fiscal Stimulus: Canada

For information on the benefit programs and to see if you qualify, please visit the resource page on our website: <https://oceanfrontwealthmanagement.com/covid-19/resources/>

Updates on government relief programs:

- The government is extending the Canada Emergency Wage Subsidy until the end of August
- Finance Minister Bill Morneau announced details of the Large Employer Emergency Financing Facility (LEEFF)
  - It is designed to protect businesses and jobs
  - Companies with annual sales of \$300 million can apply
  - The government will receive warrants on the stock of the public companies it lends to so that taxpayers participate in the upside if the company does well
  - The interest rate will be 5% per annum

# Housing - Canada

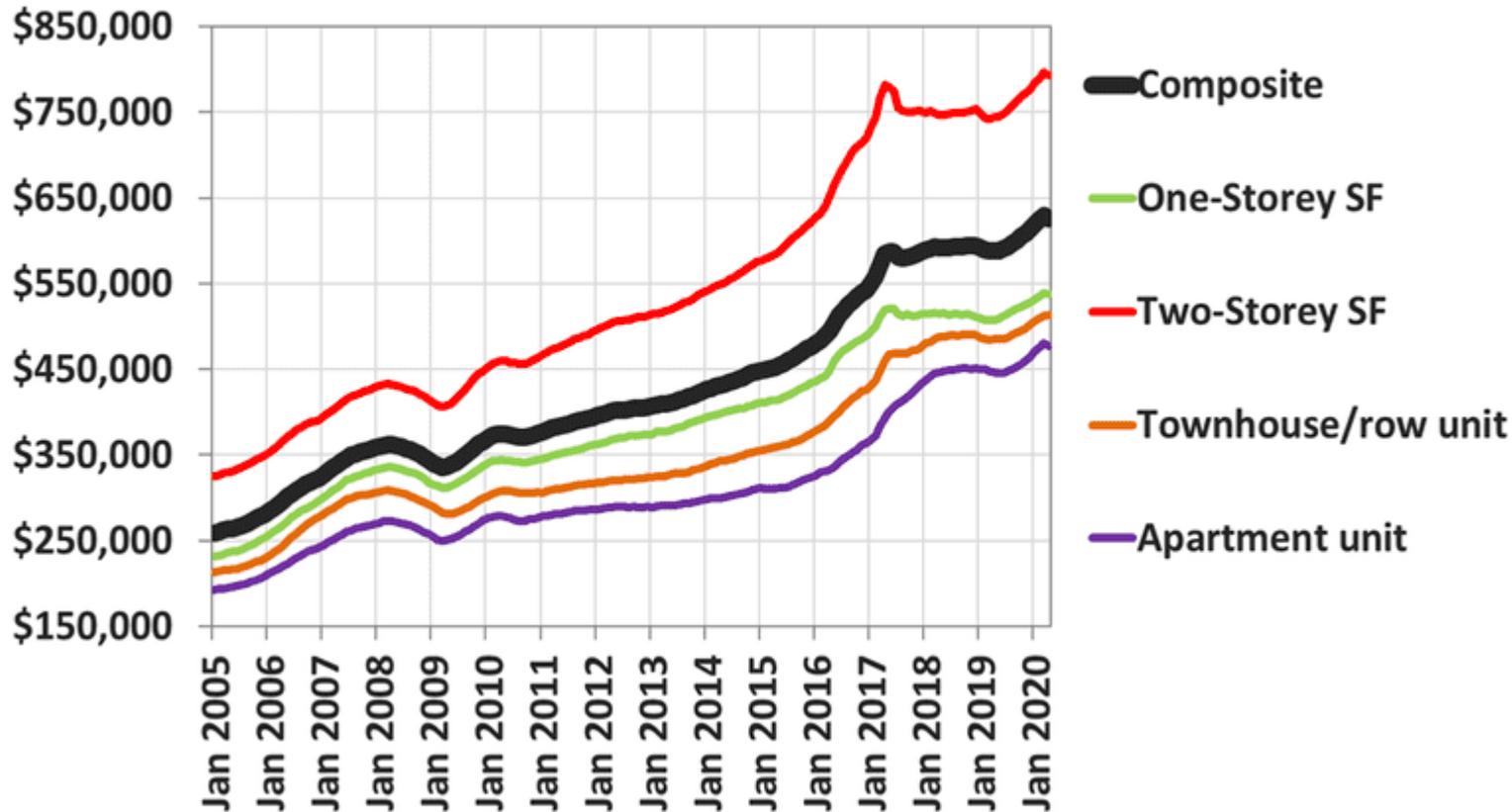


Real Estate sales activity fell 58% year-over-year in April, which was the lowest reading for April dating back to 1984.

# Housing – Canada (continued)



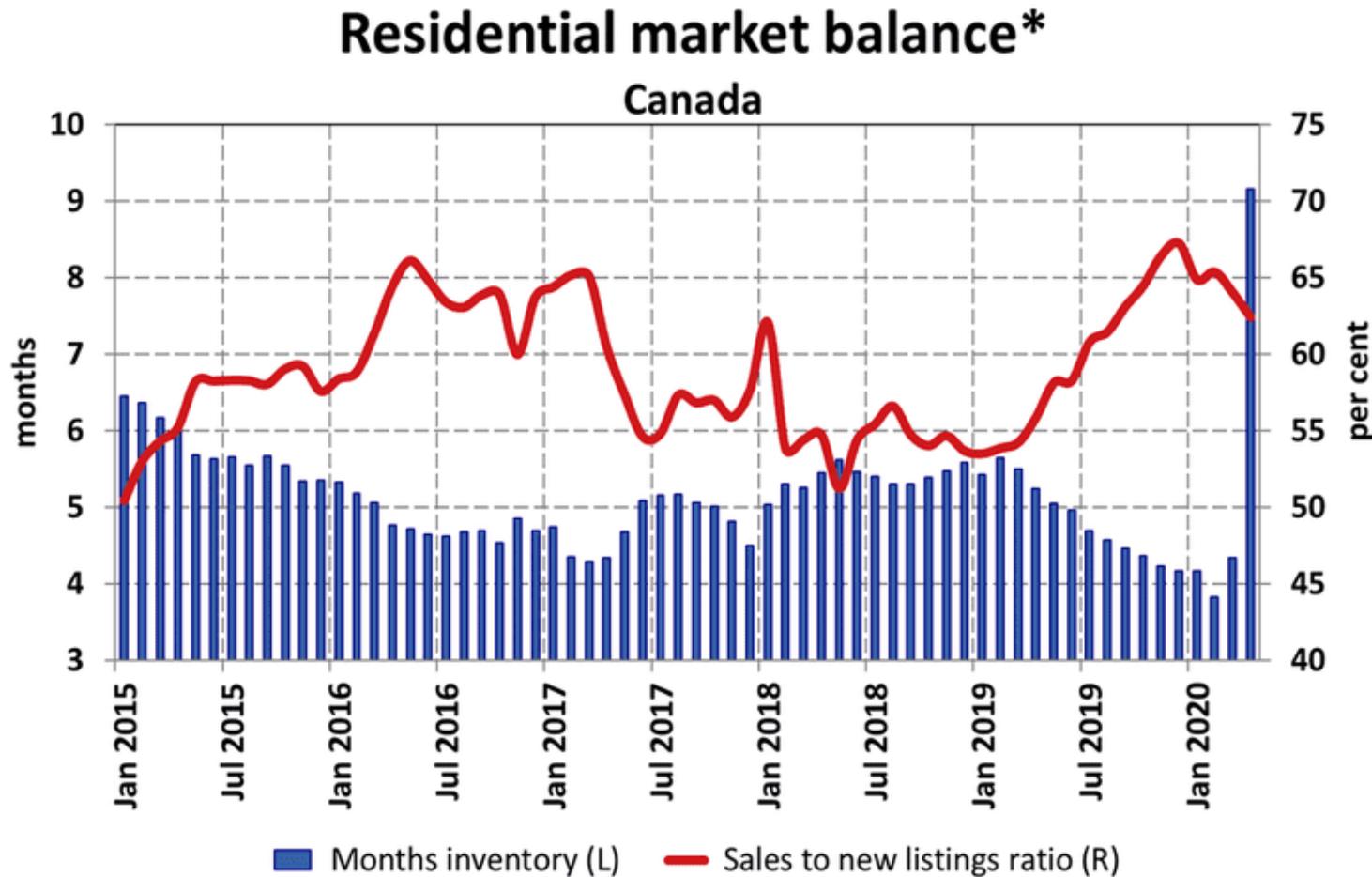
**MLS® HPI Benchmark Price\***  
Aggregate



\* Seasonally adjusted

Real Estate prices are slower to adjust to downturns than sales are. As you can see, prices have adjusted very little even though sales have dried up.

# Housing – Canada (continued)

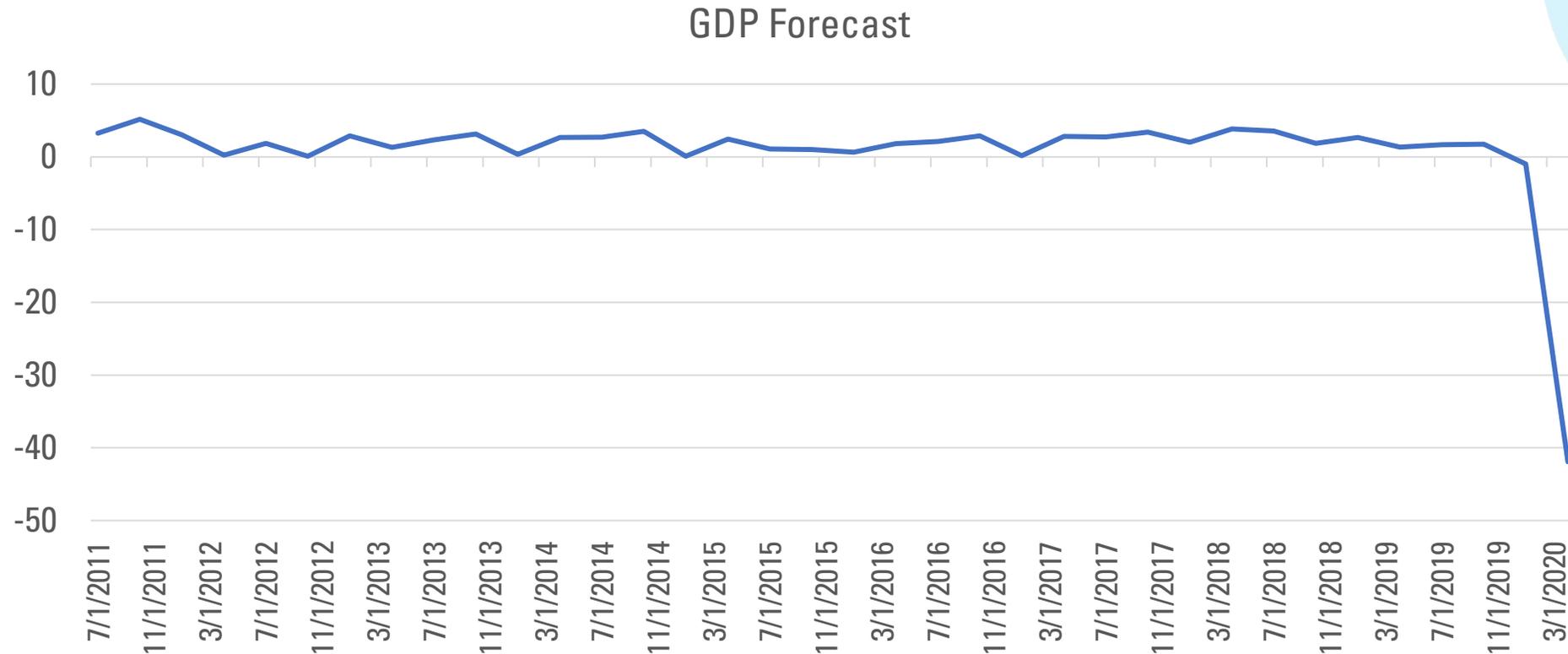


\*Seasonally adjusted

Supply and demand characteristics in the Real Estate market have shifted in favour of buyers. Inventories are up while the sales-to-new-listings ratio is in decline. Prices will most likely need to decline to clear this inventory.

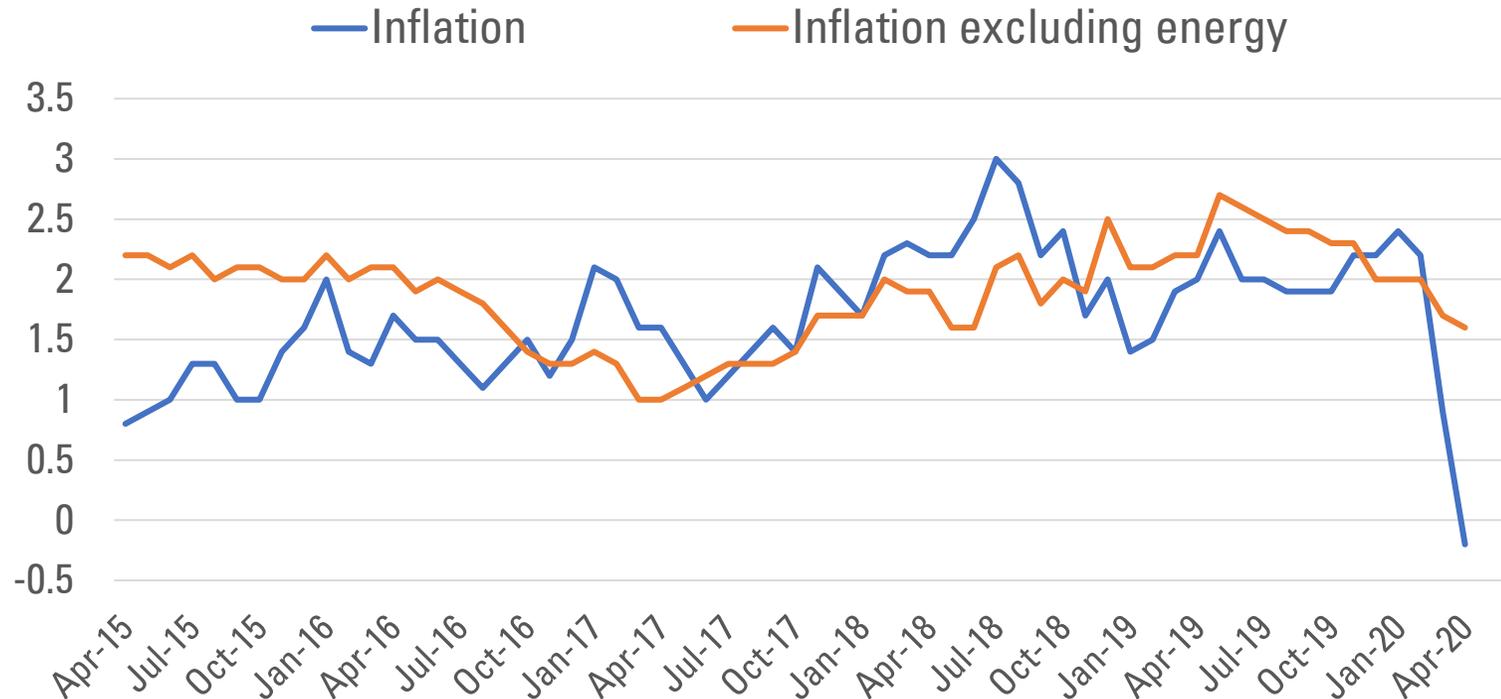
The Canada Mortgage and Housing Corporation has forecast a price decline of 9%-18% in the next 12 months.

# GDP – USA



The Atlanta Federal Reserve released its forecast for Q2 GDP, which was an incredible -42%. This is an annualized rate for Q2, meaning if this rate persisted for a whole year GDP would decline by 42%. To put this in context, the worst year-over-year quarterly GDP decline in the Federal Reserve's records (which date back to 1947, not as far as the Great Depression) was -7.6%.

# Inflation – Canada



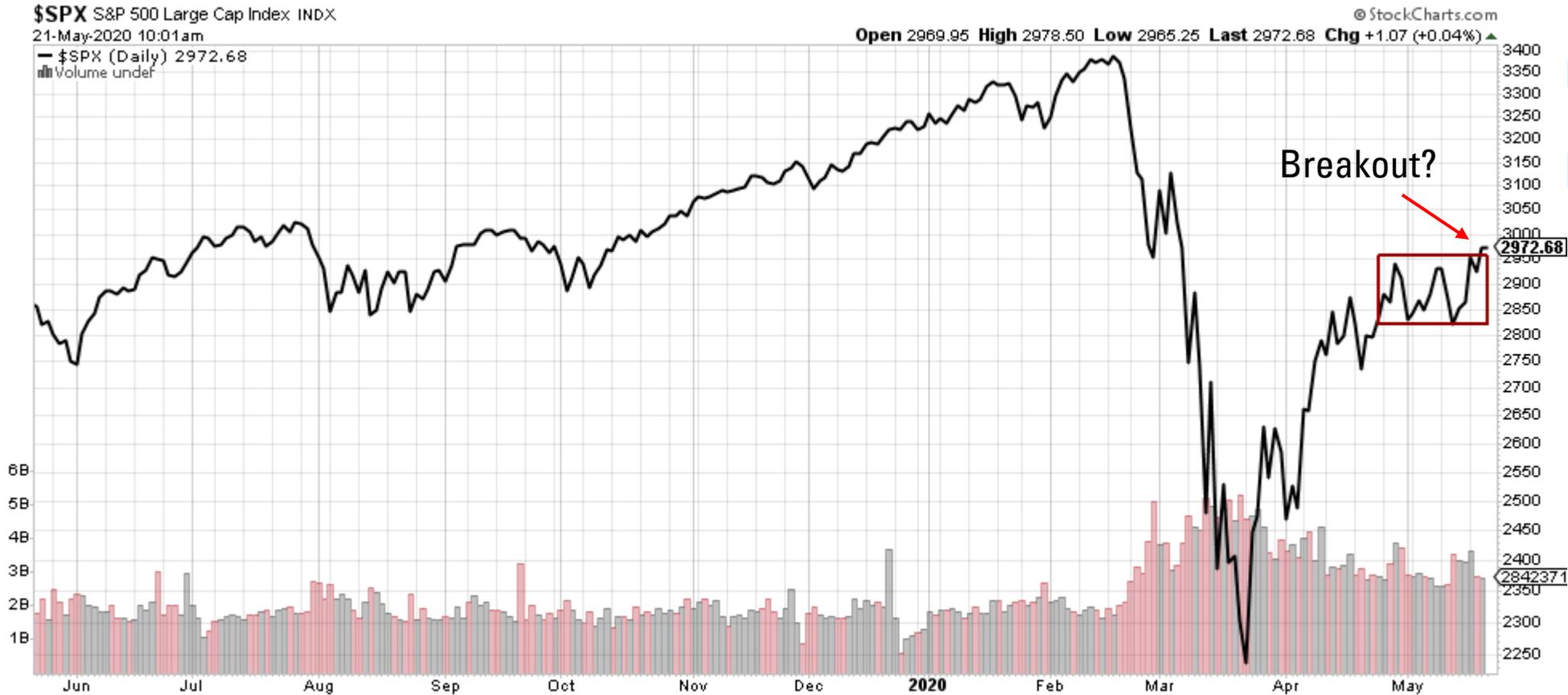
Inflation in Canada decreased again in April with a reading of 1.6%. Energy was a significant drag on this number, as oil prices have fallen.

# Oil



After the recent crash in oil prices which saw certain prices for oil reach negative territory, oil has bounced back significantly, with West Texas Intermediate trading around US\$32/barrel. This should provide some relief for cash strapped energy companies.

# Stocks Stuck in the Box



After the sudden crash and quick rally back, markets have mostly been moving sideways in a box without significant progress up or down. The resolution here should give us some indication of whether the primary trend in stocks is up or down. On Wednesday the market moved out of the box to the upside, we are watching to see if this holds.

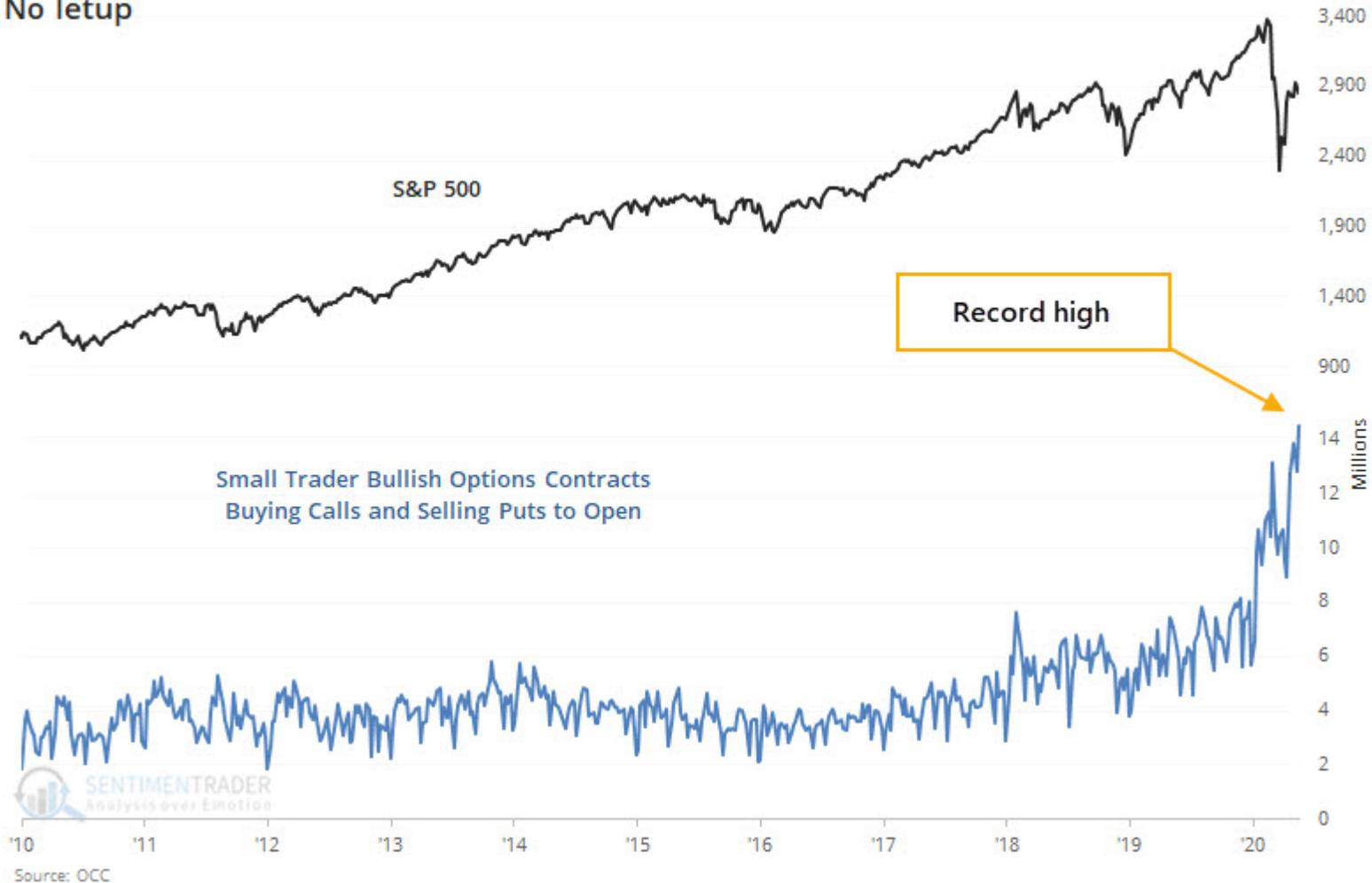
# Investor Sentiment



The American Association of Individual Investors does a weekly survey of its members, and recently had the highest number of “bears”, those who believe the market will fall, since 2013. This is a contrarian indicator, meaning that a high bearish reading is usually bullish for the market, because it can mean that these investors have sold their stocks and the selling is over.

# Investor Sentiment (continued)

No letup



Another way to look at sentiment is stock options activity among retail investors. Like the previous slide, this is a contrarian indicator.

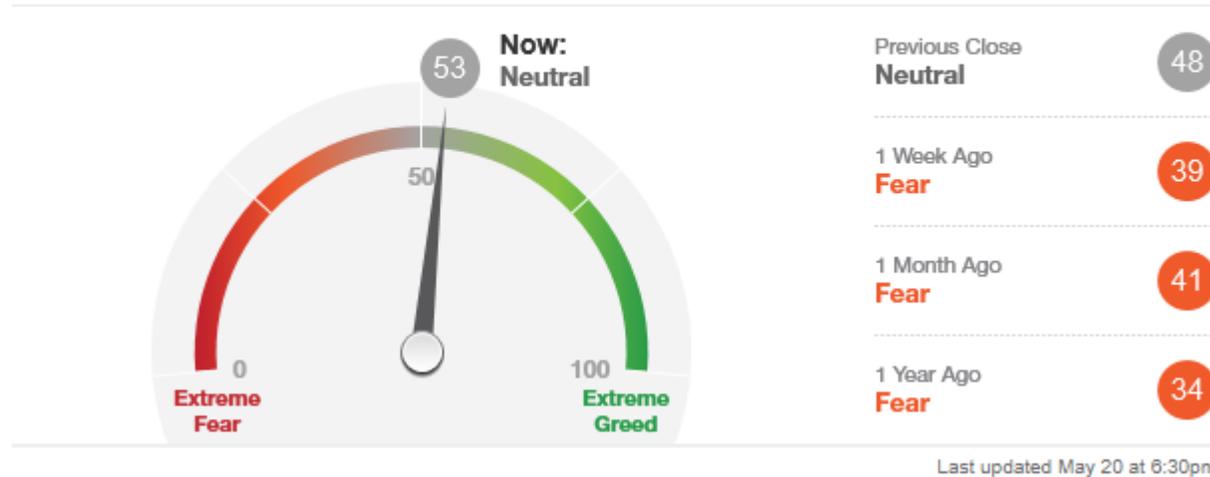
As you can see, the amount of small options traders positioned for a market rally is at a record high, higher than the previous high on February 14 that coincided with the top.

This indicator is giving the opposite signal than the sentiment survey in the previous slide.

# Investor Sentiment (continued)

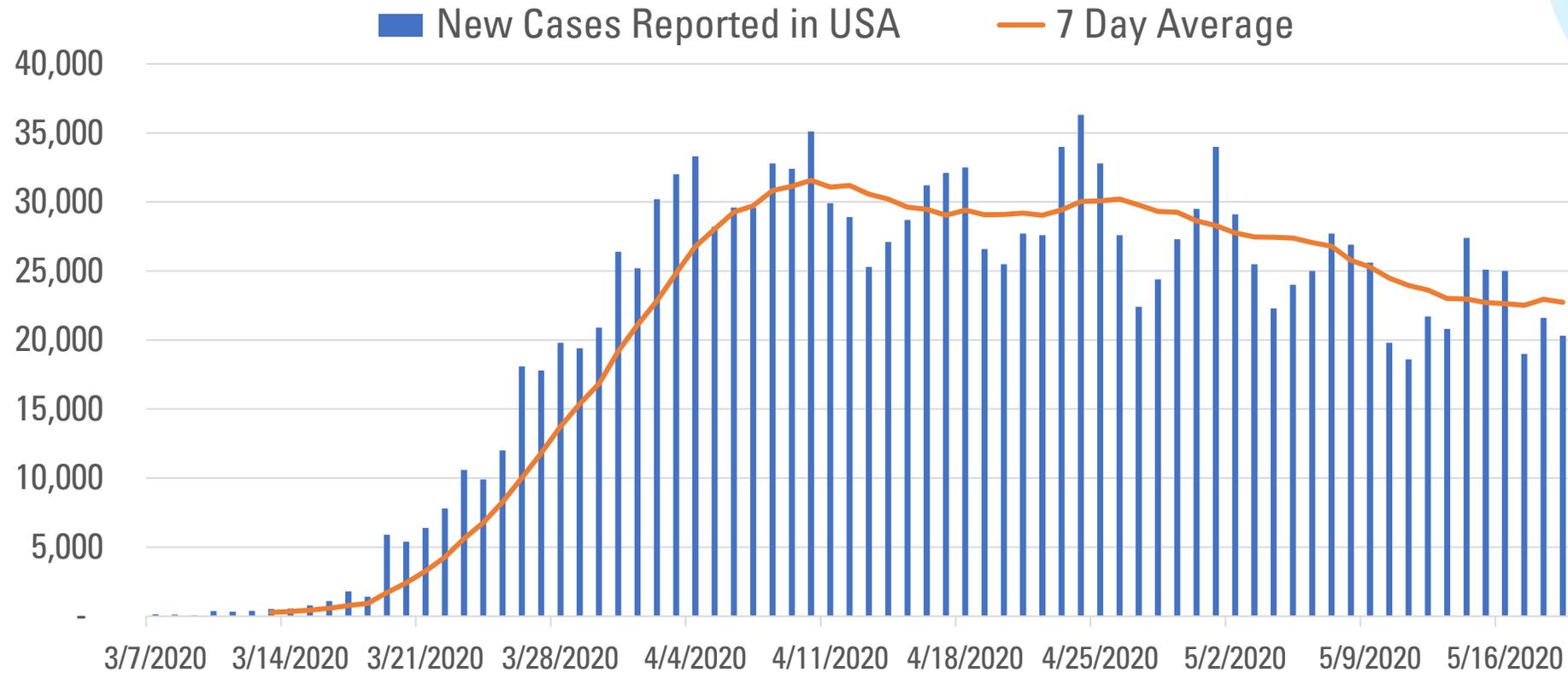
## Fear & Greed Index

What emotion is driving the market now?



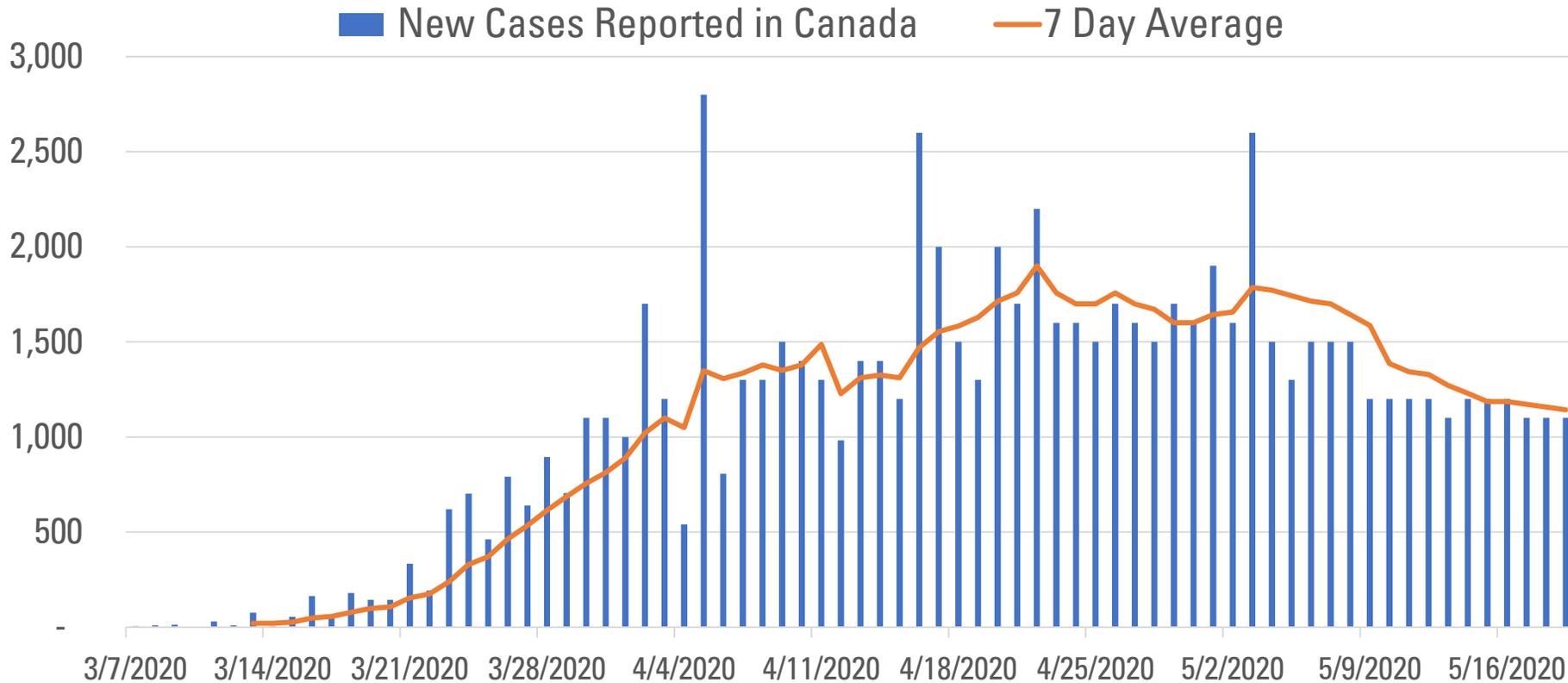
A third measure of sentiment is the CNN Fear and Greed index, which is giving a reading right down the middle. Sentiment readings are conflicting and unclear at the moment, which may help explain why the market has been in a sideways range with no trend up or down for the past few weeks.

# Spread of COVID-19 in USA



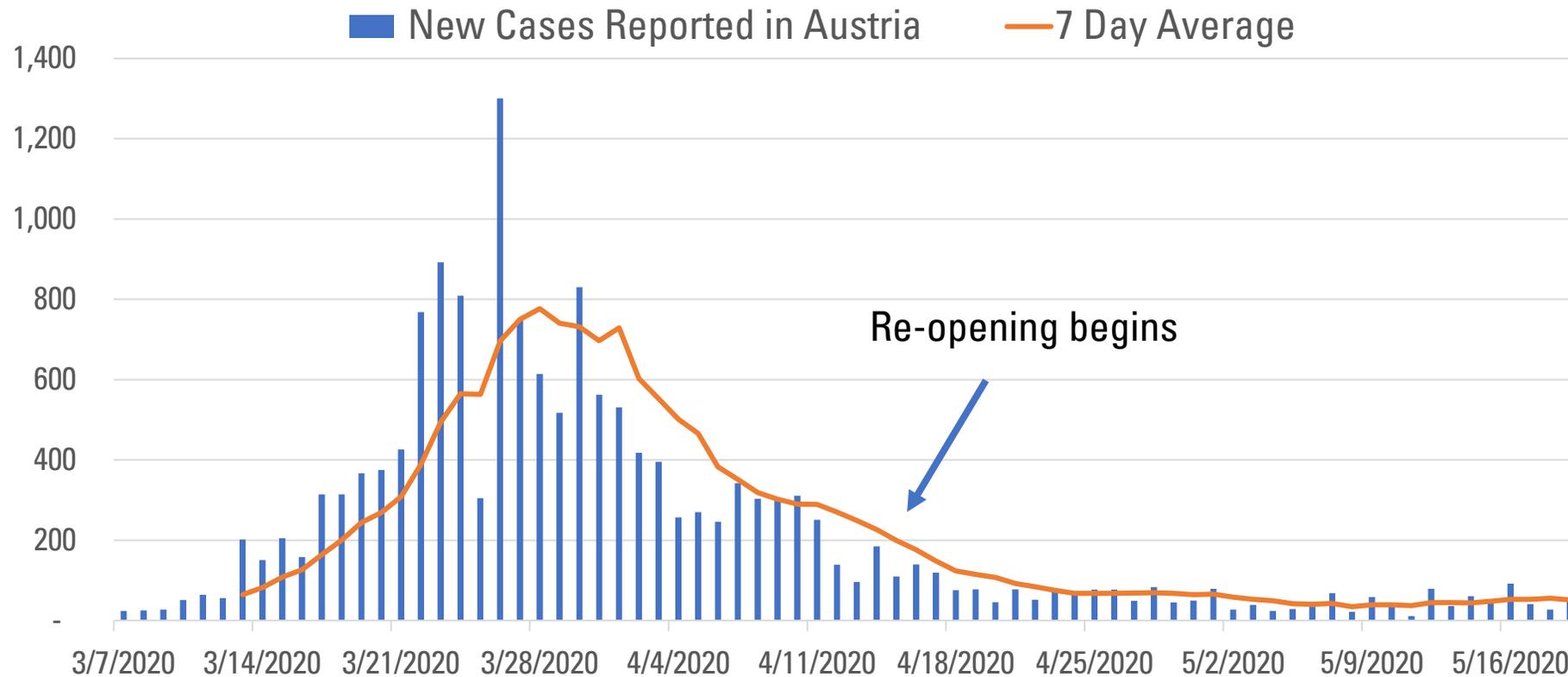
US case growth has steadily declined for the past few weeks.

# Spread of COVID-19 in Canada



Canadian case growth is in slow decline as the country re-opens.

# Spread of COVID-19 in Austria



Austria was one of the first countries to re-open. The first shops began to open on April 14, and all shops and malls were allowed to open on May 1. The re-opening has been very successful so far, as new virus cases have continued to decline since then.

# Concluding Thoughts

We are encouraged by positive developments in the progress toward a vaccine and declining rates of infection.

Having navigated crises in our careers before, we remain confident that we will get through this one as we have in the past. Learning from those experiences pays dividends by teaching us how to find opportunities in the turmoil, and to manage risk appropriately to protect capital.

Stay safe and healthy, and don't hesitate to call if there is anything you would like to discuss.

*"Some people want it to happen, some wish it would happen, others make it happen."*

– Michael Jordan

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