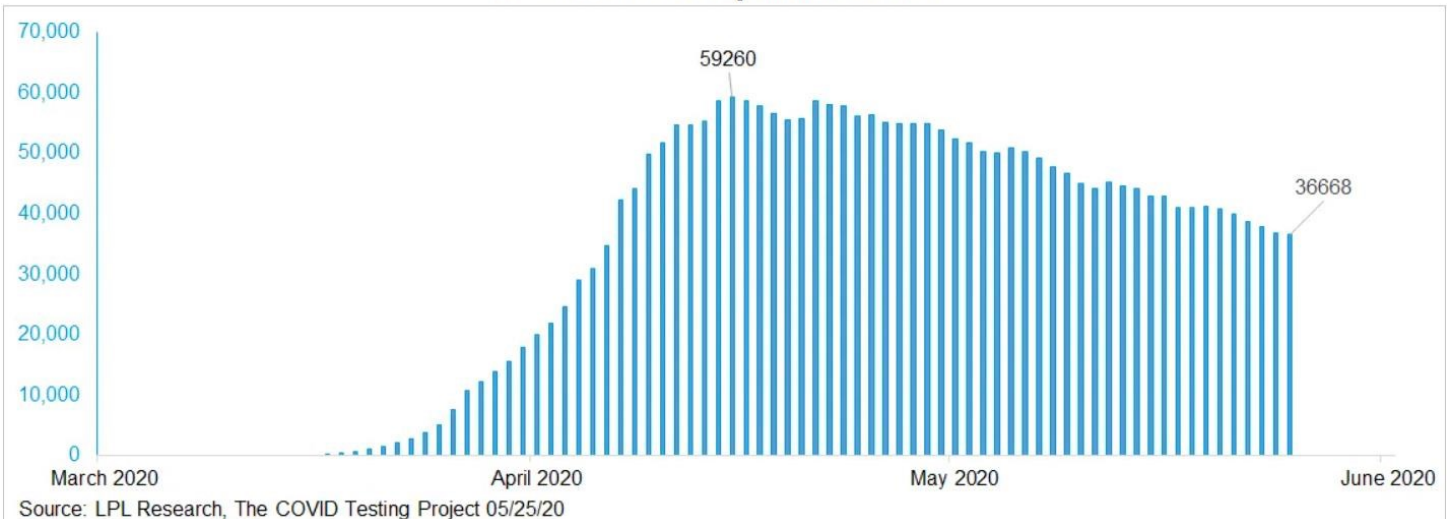


CHART OF THE MONTH

MAY 2020

UNITED STATES COVID-19 Hospitalizations



On the heels of one of the sharpest and shortest downturns in history, the Dow Jones Industrial Average and the S&P 500 have roared back, topping 25,000 and 3,000, respectively, yesterday for the first time since early March. The indexes added to their gains on Wednesday and have now climbed nearly 40% since their lows on March 23.

While the S&P is still more than 10% from its peak, the index is trading at the highest level other than the four-month period from late October through late February. The rally has been fueled by record fiscal and monetary policy, the reopening of all 50 states, optimism over a vaccine, the knowledge that the number of new cases, hospitalizations (see above), and deaths from COVID-19 have trended lower over the past month, and growing confidence that the economy is likely to begin to rebound in the third quarter.

As shown below, the S&P 500 is coming off the second-best 40-day performance in the past 70 years, only trailing the returns from the March 2009 bear-market lows. Although we would not be surprised to see a pullback at some point, history suggests that such gains lead to the continuation of above-average results over the ensuing year. In fact, 15 of the previous 18 advances greater than 15% have produced positive returns with an average of 11.9% and a median of 15.6%.

Given that the data are a week old, it is worth noting that the S&P 500 has already tacked on 4% over the past five trading sessions, perhaps indicating that the market may be replicating the performance of the five prior 40-day changes of 20% or more. If so, the S&P *could* make a new high before the end of the year. That said, we believe the next leg up will be much more challenging than the past nine weeks.

We caution investors to brace themselves for upcoming monthly unemployment reports and the release of second quarter gross domestic product (GDP) at the end of July, all of which will be met with reminders from the media that the economic data are the worst since the Great Depression. However, be aware that these reports are backward looking while the stock market is forward looking. Although the latter may not be prescient, the market should be respected as it is the collective views of participants investing 35-40 trillion dollars in companies listed on the U.S. exchanges.

S&P 500 Largest 40-Day Gains Since 1950

Date	40 Day % Change	S&P 500 Index Return			
		1 Month	3 Month	6 Month	12 Month
5/5/2009	33.6%	4.3%	11.3%	15.4%	29.0%
5/19/2020	30.6%	?	?	?	?
10/11/1982	29.5%	6.4%	9.2%	15.4%	27.0%
2/20/1975	24.6%	1.4%	8.3%	1.2%	23.4%
12/4/1998	22.6%	8.1%	8.8%	11.9%	21.0%
3/7/1991	20.6%	0.7%	2.1%	3.5%	8.1%
2/22/2019	18.8%	0.2%	1.1%	4.7%	15.5%
11/16/2001	17.9%	0.4%	-3.6%	-5.2%	-20.9%
6/17/1997	17.6%	4.2%	5.7%	7.7%	23.8%
12/20/1962	17.4%	4.2%	5.4%	11.8%	17.5%
2/27/1987	17.4%	1.8%	2.1%	16.6%	-7.6%
12/3/2002	17.3%	-1.3%	-10.7%	7.5%	15.6%
2/4/1976	17.0%	-2.7%	-1.0%	2.5%	0.4%
3/20/1986	16.2%	3.5%	3.2%	-1.8%	24.3%
5/7/2003	16.1%	6.3%	4.0%	13.3%	19.8%
9/4/2009	15.6%	3.8%	8.8%	12.2%	7.4%
5/18/2001	15.6%	-6.1%	-10.1%	-12.0%	-16.1%
7/27/1955	15.4%	-2.2%	-2.6%	-0.7%	13.1%
1/20/1972	15.2%	1.3%	5.0%	1.9%	13.8%
	Average	1.9%	2.6%	5.9%	11.9%
	Median	1.6%	3.6%	6.1%	15.6%
	% Positive	77.8%	72.2%	77.8%	83.3%

Source: LPL Research, Strategas, FactSet 5/20/2020
Past performance is no guarantee of future results.

