

Our Fundamental View:

Economic impacts from the coronavirus pandemic continued to batter the US economy in May, with record drops in many of the indicators which measure activity and output. Hopefully these will change in the very near future, as we begin to re-open America.

Given we are in such unprecedented times with no real template to guide us, opinions vary widely on the path of recovery. The optimistic argue for a 'V' shaped recovery, while the less so often suggest either a 'U', a 'W' or even an 'L'. Regardless of the shape, it's good news that we're talking about a recovery, as opposed to setting new record lows.

Our Technical View:

Technically speaking, the market remains in much better shape than the economy. This is often the case, as stocks typically top when the news is the best – and bottom when it is the worst.

Because of that, the best way to identify emerging bull markets is to note when the market has a panic washout and then a strong surge in buying. These combinations can be seen to the right, in the A/B, C/D & now E/F combinations. Of course, time will tell whether this is as great an entry into stocks as it was in early '16 and early '19.

Finally, it is also good news that interest rates are holding. The break of 1.50% in the 10-yr US Treasury was a strong signal of deflation, and a further recovery would help in dispel worries of a 1930's repeat.

Consensus Call of the Month:

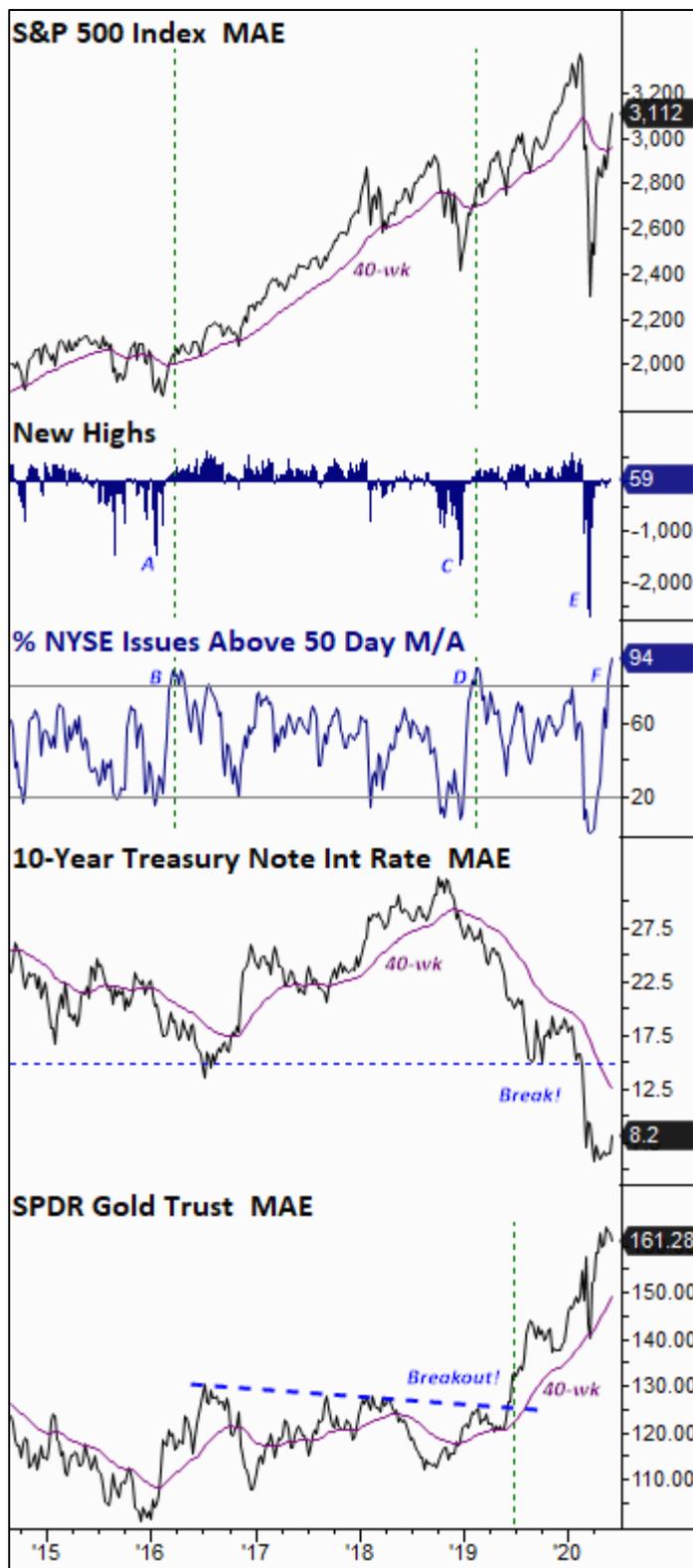
While it can be argued gold is extended over the short term, we remain bullish on the yellow metal. As we have discussed, gold usually benefits from geopolitical instability and large budget deficits – making the breakout last summer an ideal entry point. Gold remains in a healthy uptrend and continues to post 'higher highs and higher lows'.

Contrarian Call of the Month:

Finally, we also continue to believe that the COVID-19 outbreak will be less of a longer term problem for global economies than the economic damage from the shut down in global economies to prevent its spread. Accordingly, we are encouraged to see the US economy re-opening and are hopeful the recovery takes more of a 'V' shape than an 'L' or 'U'.

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Charts courtesy of TradeStation, as of June 4, 2020

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