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Hurricane CV-19's Impact on Equity Markets
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The U.S. equity market collapsed nearly 35% during the four-week period from February 19 to March 23. The magnitude and duration of this volatility was unprecedented. For reference, in response to the massive subprime mortgage fraud that triggered the 2008-2009 Great Recession, the previous equity market collapse lasted for nearly 15 months. This time was different, almost a mirage, as the market quickly pivoted to rebound over 38% by June 30. This volatility is a classic example of fear driving irrational behavior amongst investors. Emotion led to hysteria, as investors preemptively sold to front run poor economic forecasting, before facts warranted it.

Reliable data and information are key to everyone, especially for investors in making prudent decisions. Unfortunately, while we have never had as much information more readily available to process than we do today, there is equally as much conflicting data and disinformation in circulation. The principle players that have recently stirred up much of the volatility in markets and society were media outlets, the Chinese and United States governments, the World Health Organization (WHO), and the Center for Disease Control (CDC). Each one holds some responsibility by inundating investors and viewers with loose facts and even blatant falsehoods, to promote specific agendas.

A prime example of this plays out in the following timeline. On January 20, China's National Health Commission first announced evidence of human to human virus transmission. The day prior, the CDC seemingly aloof to the situation, claimed the virus was not a threat to the US. On January 22, China closed the city of Wuhan, placing the epicenter of the pandemic on full lockdown and quarantine. The US followed up China's extreme lockdown measures by placing travel restrictions on January 31 to deny entry to anyone who had traveled from China in the past two weeks. Despite these efforts, by early February, CV-19 cases had taken hold worldwide.

Surprisingly, the market began to recover. But this rally wasn't spurred by the announcement of a new vaccine or slowing rates of infection. In fact, unemployment was accelerating and airline traffic was down over 95% from the year prior. The hospitality industry remained offline as restaurants, retailers, and hotels were still under state issued mandates to stay closed. Hospital intensive care units still faced pressure to capacity in hot spots around the world where cases surged. Regardless, equity markets rallied from late March through early July.

The equity market is an amazing collection of investors and speculators, making individual decisions, based upon information gathered from many sources. The recent 120-day equity market recovery can only be explained as a forward-looking view that better times are approaching and that a second wave of CV-19 does not pose the same threat as the initial outbreak. By the end of June, the facts began to reveal that CV-19 treatments were improving, survival rates were rising, and social distancing measures were effective. The recent spike in cases only confirms that "reopening" does run the risk of additional spread in places where people ignore established guidelines and safety measures. Some believe we are in the eye of the virus hurricane, with tougher times soon to come. Others view the facts of improved treatments, increasing survival rates, stronger job numbers, rising fuel consumption, and stable home prices, as a sign that we are not far off from life getting back to normal. It would appear most investors fall into the later camp, as the market continues to telegraph positive sentiment and a vaccine in the near future.