How Will Your Investments Do in the Second Half of 2020?

By www.ProfitableInvestingTips.com

The stock market fell with the onset of the covid-19 pandemic and then recovered. How will your investments do in the second half of 2020? We wrote recently about stock market recovery risks. We noted that three things need to happen for the economy and the market recovery to continue. The Fed needs to continue its "anything necessary" approach to supporting credit and maintaining low interest rates. The economic recovery shape needs to be a quick "V." And, there needs to be no huge second wave of the virus. What makes this murky are the huge increase in covid-19 cases right now and the seeming disconnect between economic reality and the stock market. To the degree that you and the market are ignoring the economy, the stock market and your investments may be in for big trouble.

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The New York Times asks what is next for stocks after the impressive recovery. Here is what they say about the second half of 2020 and stocks.

> *Where they go next is a mystery. There's so much uncertainty about the coronavirus crisis that roughly 40 percent of the S&P 500, about 200 companies, have withdrawn their customary forecasts about how their businesses will perform in the months ahead, according to data from S&P Capital IQ.*

This means that investors are working on gut hunches instead of rational thinking about company projections. The concern voiced by *The Times* is that many folks will be in for a rude shock when earnings reports come out in July. The recent market volatility reflects the tension between worried investors who want to see real numbers and those who are buying on every bit of good news while selling whenever the news is bad.

A popular measure that Warren Buffett attests to is the comparison of the total value of the stock market to the gross national product. The economy is not doing well and it is likely that many companies are making less money than investors would like to see. As more and more people remain out of work and congress drags its feet on more stimulus money, nobody is going to have any money to buy things.

Thriftiness Will Slow Spending

A young woman friend of the family said after the Financial Crisis that most of her friends had started to "sound like grandma" who survived the Great Depression and never quit being thrifty. It is our opinion that this way of thinking will become more pervasive as more and more folks run out of money and cannot find work. The net effect will be that spending will drop across the economy and affect all sectors. Some sectors like travel, dining, and hotels be hit harder and for longer than others but even the tech companies will see reduced sales as their customers start counting their pennies.

The other concern is that the virus is in charge of how things go from here and those economies and countries that deal effectively with the virus will open sooner, remain open, and return to a semblance of normal before a vaccine or medicine emerges to improve the global situation. The USA in not in this category as it cases are skyrocketing while countries in Europe and Asia are maintaining low infection rates and resuming what passes for normal activity in these times.

As the stock market buys on speculation and sells on the news it may well be that when earnings reports come in later in July that the second half of 2020 may turn out to be dismal for your investments and everyone else's.

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