



Economic Update May 10, 2020

Dear Clients,

According to the May 8, 2020 news release by the Bureau of Labor Statistics, the US unemployment rate reached 14.7% in April as the world continues to grapple with the fallout from COVID-19 and the near-shutdown of entire swaths of the global economy. Payrolls fell by 20.5 million in April and 15.9 million jobs were lost, bringing the total number of unemployed persons to 23.1 million¹. While this represents both the highest unemployment rate and the highest one-month rate increase since the government began measuring this data, the actual increase was lower than market expectations.

Beyond the fact that unemployment data is not quite as bad as expected, there are other reasons to be optimistic about the economy. Specifically, the growth rate of new COVID-19 cases has been slowing, testing capacities have grown exponentially across the globe, many countries are beginning to restart their economies with thoughtful safeguards in place to suppress new outbreaks, and social distancing and containment measures have quickly become the norm for most Americans.



Unemployment Details

Most of April's job losses occurred in the service sector, which includes areas of the economy under government-enforced closures, such as leisure and hospitality (7.7 million), education and health services (2.5 million), and professional and business services (2.1 million). Within leisure and hospitality, 75% of the losses occurred in food and beverage services. Health care job losses were largely tied to restrictions placed on elective or non-urgent medical and dental procedures. Childcare centers also faced steep losses. Many job losses in the professional and business services sector occurred in temporary help. Importantly, the vast majority of April job losses were classified as temporary and can potentially be reversed as businesses restart in the coming months.

SageView's Perspective

As there are signs that the coronavirus crisis may be peaking, investor sentiment has already started to improve. The S&P 500 was up 13% for the month of April, and has recovered over 28% from its low point on March 23rd. The expectation of further fiscal stimulus has contributed to the rebound, as well as stabilizing oil prices. With economies across the globe slowly restarting and businesses beginning to reopen, there is hope that a recovery is on the horizon as consumer demand picks up.

While we expect to see continued market volatility through the second quarter and beyond, we have confidence that the economy will recover, and we will see a level of normalcy in our daily lives. It is important to keep a long-term perspective through difficult times like these, and to maintain a disciplined investment strategy. As always, SageView will continue to monitor economic and market conditions and provide updates as appropriate. If you have questions or need additional information, please do not hesitate to contact us.

¹ Source: Bureau of Labor Statistics

² Source: www.worldometer.info/coronavirus