



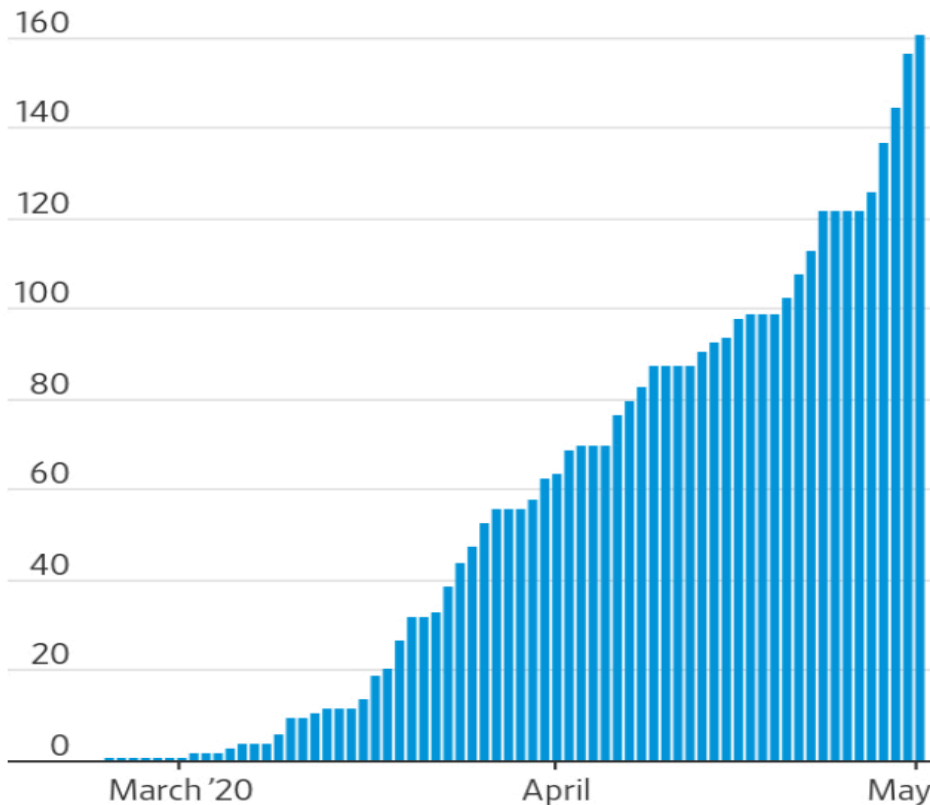
## **COVID-19 – Update May 9, 2020**

Quite a few weeks into this pandemic and there are still a lot of unknowns regarding the virus, but dynamic US and international healthcare companies are hard at work testing many different potential vaccines and therapeutic solutions. In fact, there are 120 projects around the world focused on the development of a vaccine and eight have already been approved for clinical trials on people. In addition to that there are a little over 1,000 ongoing and completed COVID-19 studies according to the World Health Organization database.

As the confirmed cases of the virus begin to come down, we have seen states continue to take tentative steps towards phased re-openings. The markets responded positively to this continued development as the S&P 500 index gained about 3.5% while the tech-heavy Nasdaq was up around 6% and developed international markets were up around 2.7%. Bond yields rose slightly during the week while the volatility index (VIX) continued to drop. The VIX provides a measure of market risk and investor sentiment (and is also known as the “Fear Index”), and it has fallen more than 50% from its high during the height of the market volatility back in March.

### **Growing Uncertainty**

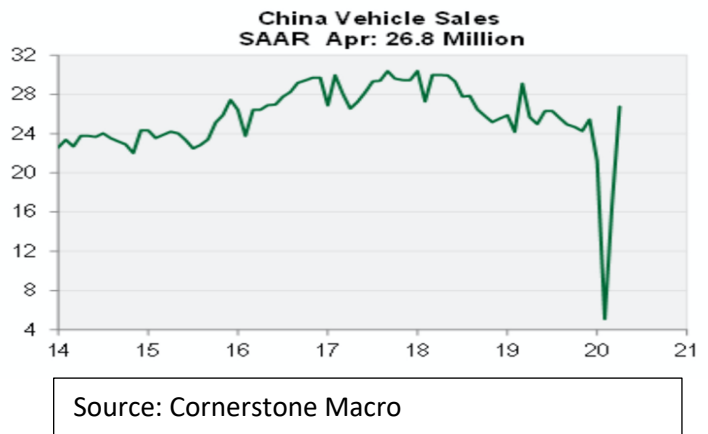
Number of S&P 500 companies that have withdrawn or suspended financial guidance



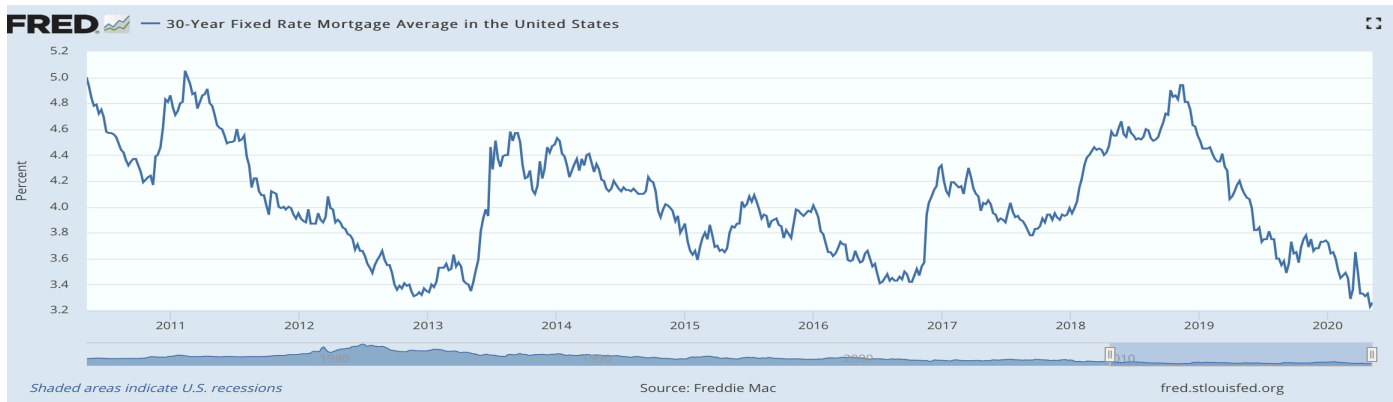
Source: Wells Fargo Securities tally citing Bloomberg

As the state and international economic re-openings are expected to advance in stages, it is very hard for companies to model sales and earnings for their industries and individual companies. As the chart displays, the number of companies that have withdrawn or suspended their financial guidance to investors has grown significantly in the past several weeks. We expect this trend to continue as more companies present their first quarter earnings reports and are asked for earnings guidance for the remainder of the year. As economic figures from the re-openings begin to come in, companies will be able to start providing future guidance allowing us to more confidently assess their prospects.

Internationally, China has shown a rebound in recent economic metrics. China's vehicle sales rebounded smartly with the restarting of their economy. Their energy usage was actually up year-over-year in the first two weeks of April reflecting a strong re-opening of factories and export production. Here in the United States our vehicle sales show a similar drop to that which occurred in China so we will be watching the sales data here with great interest to see how closely we might follow their experience.



Pending home sales dropped dramatically as expected with the economic shutdown. As buyers find it hard to inspect homes and sellers have hesitated listing their homes, activity dropped by 16% in March. The April 2020 figures will be released later this month and are expected to show lower but improving sales activity. Mortgage applications to purchase a home rose for the third straight week last week and this reflected a 7% rise from the week earlier. Purchase volume was still down 19% annually but the annual loss is getting smaller by the week. Three weeks ago, purchase volume was down 35% annually. Mortgage rates are certainly aiding this recovery as they are now near all-time lows. These trends are very encouraging if they can be sustained.



We will talk to you soon.

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