



WASATCH
CAPITAL MANAGEMENT OF
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MAY 2020

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WHAT'S LOVE GOT TO DO
WITH IT?**
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What's Love Got to Do With It? -Article by Mark Lazar

Blessed are the young, for they shall inherit the national debt. Herbert Hoover

Let's start with the bad news; unemployment claims currently exceed [36 million](#), industrial production fell by [11.2%](#) in April, the largest drop in the 101 year history of the index. Retail sales were down [16.4%](#) for the same month, the stock market erased [\\$12 trillion](#) in wealth within the five weeks ending March 23, US debt just topped [\\$25 trillion](#), and the Atlanta Fed is now forecasting a Q2 economic drop of [42.8%](#). Holy, cow, Batman!

Item	Data point
S&P 500 Return YTD	-11.36%
Dow Jones Index YTD	-17.01%
Foreign Index Return YTD	-20.88%
Emerging Market Index YTD	-18.69%
U.S Forecast GDP 2020	-5.6%
Unemployment Rate	15.7%

**All hyperlinked data as of 5/17/2020*

But wait! If everything is doom and gloom, why has the market jumped 27% from the March low? It's important to remember the market is both [efficient](#) and [forward-looking](#). The market isn't concerned with what happens to today—it's already priced in all of the bad news referenced at the beginning of this missive. Rather, the market is looking *ahead* 6–9 months, and sometimes longer. Furthermore, the market is an unbiased [price mechanism](#), meaning it doesn't care about Democrats or Republicans, or the latest headlines on Fox News or CNN. It doesn't give two hoots about supposed experts, nor their prognostications as to what tomorrow will bring. What does drive the market, then? Expectations. Expectations of *future* employment, wages, revenues, [fiscal policy](#), trade policy, geopolitical events and, ultimately, corporate earnings. Which is why we can be in the midst of a barrage of bad news, but if it's *less bad* than the market expected (priced in), markets move higher. Conversely, if the news is worse/not as good as the market anticipated, security prices move lower.

It would be easy to fall into a pit of despair simply reading the current myriad of *sky is falling* headlines; however, below are some recent high-frequency data points. While the [YOY](#) data is dreadful, you'll notice some big improvements in most of the [WOW](#) and [MOM](#) stats, including jobless claims, box office receipts, steel production, and hotel occupancy, to name a few. This is why the stock market has been trending sharply higher since the March 23 lows—in the midst of what appeared to be the beginning of the zombie apocalypse, Mr. Market was correctly forecasting a brighter tomorrow.

Indicator	Date (2020)	Level	Year Ago Level	% Change YOY	% Change MOM	% Change WOW
Initial Jobless Claims	May 8	2,981,000	217,000	1273.7%	-43.1%	-6.1%
Weekly Retail Sales ¹	May 9	-7.5%	+5.4%	NA	NA	NA
Box Office Receipts	May 1-7	\$130,162	\$257,712,524	-99.9%	+2096.8%	+614.0%
Rail Car Traffic (cars)	May 8	412,549	529,309	-22.1%	0.0%	-1.1%
Steel Production (net tons)	May 11	1,204	1,927	-37.5%	-4.1%	+5.2%
Hotel Occupancy	May 3-9	30.1%	86.0%	-55.9%	+9.1%	+1.5%
Hotel Average Daily Rate	May 3-9	\$76.35	\$131.87	-42.1%	+2.9%	+2.2%
Hotel Revenue per Available Room	May 3-9	\$22.95	\$89.65	-74.4%	+47.0%	+7.3%
Opentable State of the Restaurant Industry ^{2,3}	May 13	-95%	NA	NA	NA	NA
TSA Checkpoint Data (people) ²	May 13	176,667	2,343,675	-92.5%	+95.2%	-7.4%
Supply of Motor Gasoline in the US (Mbbl/d)	May 8	7,398	9,148	-19.1%	+45.6%	+11.0%
Federal Withheld Income and Employment Taxes 20 Day Moving Total (billions)	May 11	\$166,604	\$190,142	-12.4%	NA	NA
Federal Withheld Income and Employment Taxes 25 Day Moving Total (billions)	May 11	\$197,413	\$230,639	-14.4%	NA	NA

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There's another factor that may be contributing to the market's violent and somewhat perplexing recovery; TINA, or *there is no alternative*. When you think about it, there are only a handful of places someone can invest their money with the expectation returns could exceed inflation over time: stocks, corporate bonds/preferred stocks, [investment property](#), precious metals, [collectibles](#), [alternative assets](#), and direct business ownership (e.g. Subway franchise, car wash, laundromat, etc.).

As Tina Turner famously crooned, "What's love got to do with it?" Investors may not love the stock market these days, but when compared to other investments, stocks appear to be, relatively speaking, the pick of the litter.

Wasatch Team Dog Updates



Mark

Mark & Savina got a new puppy, Buster!



John

John hiking with his puppy, Stella in Millcreek



Beth

Beth and her dog, Danika relaxing on her deck



Mark Lazar, CFP[®], MBA, Vice President- Investments | 385-275-3609

John Bergerson, CFA[®], MBA, Investment Portfolio Associate | 385-275-3608

Beth Winter, Client Service Associate | 385-275-3593

2750 E Cottonwood Parkway, Suite 520, Cottonwood Heights, UT 84121

1389 Center Drive, Suite 200, Park City, UT 84098

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