

President Trump and The First Lady Test Positive for COVID-19

*By Bob Deitrick, CEO, ChFC
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- *President Trump and The First Lady tested positive for COVID-19 last week.*
- *Our thoughts and prayers go out The President and to all who were infected last week at what appeared to be several super-spreader events. A significant number of the President's staff and three GOP Senators have been infected with COVID-19 as well.*
- *It is our belief at PFP that this development may, ironically, be a positive one for the equity markets in the sense that more Americans, specifically those skeptical of the virus, may now begin to treat this matter seriously and follow protocols to help limit the spread of the disease.*
- *Increased compliance with mask-wearing and social distancing protocols could help squash the recent uptick in daily COVID-19 cases we have seen around the country which would help the economy reopen more effectively and safer as well.*

I woke up about 2:00 a.m. last Friday morning and saw the news that the President and First Lady had become infected with COVID-19. I then went to the futures market, as I often do, and as I suspected, the futures had plummeted on the news. Stocks around the world nosedived Friday when it was revealed that President Trump and his wife, among others in the White House, had tested positive for COVID-19. The market may be volatile for a few days, but we believe this news presents a compelling opportunity for long-term investors to buy into stocks. Trump's COVID diagnosis is, ultimately, a good thing for the markets in our view. After falling as much as 1.7% early Friday morning, the S&P 500 rallied back and cut its losses by 70%, trading down just 0.48% for the day on Friday. On Monday, as suspected when I began writing this Saturday, the market witnessed a huge rally although the President was still at Walter Reed Hospital in Bethesda, Maryland.



Friday's sell-off was an expected reaction. However, we believe there are several reasons that a positive COVID-19 diagnosis of the President may be good for the equity markets. Trump getting COVID repudiates those skeptics who have shied away from wearing masks and social distancing. We

suspect this will increase the compliance of mask wearing. More folks wearing masks will help contain the recent surge in cases and may reduce the path of new ones in the fall. This would be good timing as daily COVID-19 cases have been on the rise in recent weeks. In fact, the increase in cases last month was the primary catalyst for the September correction in stocks.

An improvement in daily COVID-19 cases will expedite treatment options, like Remdesivir and Regeneron's (unapproved) anti-body cocktail, both of which the President took last week. Remdesivir is among the few drugs proven to treat COVID which has also been cleared by the FDA.

This event may ironically help the economy reopen more swiftly...

To the extent Trump recuperates, it would be an affirmation that American-made therapeutics are effective, and will prove that the US has a better handle on treatments today than it did six months ago - reducing the risk of further deaths. This would be welcome news to the market... The President returned to the White House Monday evening and the market responded that day in the affirmative.

In addition to the increased compliance of COVID-19 safety precautions, another spark for the markets would be a new round of fiscal stimulus from Congress. A deal was agreed upon last Friday between Speaker Nancy Pelosi and Treasury Secretary Mnuchin. Impacting the stimulus negotiations is the September jobs report, which showed 661K jobs added to our economy last month which was a significant slowdown from August's job gains of 1.4 million.

*The new coronavirus relief bill, called the HEROES Act, was passed by the US House last week; however, it is not law yet. This Tuesday, Fed Chair Powell expressed the importance of getting a stimulus bill passed, stating that: **"A prolonged slowing in the pace of improvement over time could trigger typical recessionary dynamics, as weakness feeds on weakness,"** he said. **Powell has repeatedly urged Congress to provide additional stimulus, in previous speeches and in testimony before Congress.** On Tuesday at 3:00 p.m., Trump tweeted he was going to derail the talks that had been ongoing for months and the market tanked accordingly late Tuesday. Trump's decision did not go over well with his GOP colleagues, so he recanted that decision and walked it back Tuesday night. On Wednesday, as a result of the President's "walk back" and his determination to strike a deal, at least one for the airlines - continuing discussion between Pelosi and Mnuchin resumed and the market rallied back Wednesday having had the best day we have had since early July.*

Today, 10+ million Americans are out of work. There is a lot of political posturing taking place as the election draws to within four weeks, but the markets and the economy need a compromise on a fiscal stimulus bill. The markets are responding confidently to the President becoming infected with COVID and the news yesterday that he is improving. If folks begin to take the pandemic seriously – we suspect that it will translate into a positive event for the markets as we move into the fall.

We are monitoring these events for you very closely. Please feel free to reach out to Steven or myself with any questions. We will announce the plans for our Virtual Christmas and Holiday Party in our upcoming newsletter. This year we will be providing a virtual Christmas Event and PFP will provide you with a Honey Baked® and Eddie Merlot's Christmas as well. Have a terrific week!

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