

Market Update for May 2020

Since our last market update at the beginning of March, we have been through very interesting and highly volatile market conditions. The policy measures put in place by governments around the world have had and will continue to have a large economic impact. Travel, events, and many business sectors have stalled as people practice sheltering in place, while unprecedented numbers have lost their jobs, temporarily or permanently. A global recession now seems likely, using GDP and employment as the determinants of recession status.

March 2020 – the fastest entry to a bear market on record

After hitting a high on February 20, 2020, the markets began to drop with the economic impact of the COVID crisis. This was also impacted by a collapse in oil prices, which began with a price war between Saudi Arabia and Russia that flooded the market with supply, and was worsened when demand for oil dried up as consumers were staying home more due to social distancing. It took just 20 days for the Toronto Stock Exchange to enter bear market territory (defined as a condition in which securities prices fall 20% or more from recent highs), and continued to drop a total of 37%, hitting a low on March 23, 2020.

April 2020 – an abrupt change with a strong rebound

Since hitting the low on March 23, 2020, the TSX has experienced its strongest month since 1987 with a big partial rebound. As at May 4, 2020, the TSX now sits at -17.8% from the high, and -13.8% year to date. This represents a gain of 23.8% back since the low point.

Looking ahead: The only certainty is uncertainty

In the past, health epidemic events have caused short-term market declines, but typically markets have regained their previous levels within a few months following the peak of the epidemic. And it has initially looked as though we are following the pattern of short-term recovery. However, the rebound began well before the virus peak – in fact it is still hard to say whether we have hit the peak yet or not. Swift economic recovery seems likely if the virus is quickly eradicated; however, there is much debate about the correct way to lift restrictions. Warnings abound that there could be a second wave of the virus if restrictions are lifted too quickly or if restrictions are disobeyed. Our new normal may yet be elusive, unless and until a safe vaccine is made widely available.



With so many unknowns, we continue to expect high volatility going forward in the market for some time to come. Nobody knows for sure how this will all play out or when the market will recover from the recent extreme setback.

Investor Recommendations

It is important that investors maintain a long-term focus and not react with panic during periods of market declines and volatility. Investors may not want to move out of their investments when they are down in value as this would lock in losses and prevent the opportunity for recovery gains during the next cycle of growth. However, it is prudent to periodically review your portfolio to ensure that the mix of investments you hold – and where your new contributions are being invested – still matches your goals and positions you well for retirement on your desired timeline.

Investors who have questions about their portfolio or would like a review can contact Reuter Benefits' team of licensed investment professionals to discuss their investment strategy. Reuter Benefits can be reached at 1-800-666-0142 or via email at retire@reuterbenefits.com.