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March 2020: A Stomach-Churning Month for Stock Markets

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March 2020 will live in infamy in the history of the financial markets. The New York Times recently reported that the financial world witnessed the following within a span of thirty-one days: the S&P 500 suffering its worst one-day drop since 1987 before recording its best three-day run since 1933, a crash in oil prices, and interest rates plunging to record levels leaving Wall Street pundits speechless.

As the March roller coaster continued, many disciplined investors expressed feeling overwhelmed by the turn of events playing out in the stock markets. While some investors that managed to survive the dot-com crash and the financial crisis of 2007-08 have since adopted durable trading techniques, they were unprepared for the speed at which markets crashed.

An enormous and decisive fiscal response was required to rescue the financial markets. U.S. lawmakers did respond and enacted a $2 trillion spending package. The U.S. Federal Reserve also went all out and announced that it would buy as much government debt as needed to bolster the housing market and Treasury bonds. This response allowed the financial markets to recover somewhat; however, the month of March was the worst month for the S&P 500 since October 2008.

As of April 8, 2020, U.S. stock prices rose, building on their gains for the week. At the close of trade, the S&P 500 was up at about 23 percent from its March low. The gains highlight a hope that the peak of the COVID-19 pandemic is near or past. The growth rate of coronavirus cases in New York is slowing. China has lifted its lockdown in Wuhan. Austria, Denmark, and the Czech Republic are also considering lifting their respective coronavirus restrictions.

However, having calmer markets does not mean the worst is over. As consumers stay indoors and factories remain shut, unemployment is on the rise. According to the U.S. Bureau of Labor Statistics, the unemployment rate jumped to 4.4 percent, while the number of unemployed workers increased by 7.14 million in March alone. This number is expected to increase in April. A recent labor market survey revealed that the true scale of damage has only just begun. However, the impact of this data on the financial markets remains to be seen.

This is clearly a time of uncertainty, particularly as it relates to the stock markets. While the markets are clearly building from stimulus package gains and the hope that the coronavirus pandemic is receding, it remains to be seen whether the economic fallout from the global shutdown will have a long-lasting impact on the financial markets. The truth is simple: nobody knows how long this uncertainty will last.