KEEN ON
RETIREMENT

Are the Markets Out of Touch with Our Economy?

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Matt Wilson: Well, welcome everyone to our Market Outlook webinar today. I just want to remind everyone, thank you for the questions you submitted ahead of time. That helped kind of shape some of the topics that I'm going to discuss today. And then also throughout the webinar if you have any questions, please you can type them into the system or send me an email and we'll do our best to address them during the events. But if not, we will address them afterwards. All right, got my screen loaded here. So we've got a great update. We've gotten a lot of questions about what's happened in the first half of the year, and then what's going to happen for the rest of the year. So we'll do our best at dissecting the data and really digging into what's driving the market currently because there's a lot of different factors at play considering what's gone on with the government shutdown and COVID-19, and then the stock market's reaction to that, both in Q1 and in Q2.

Now, real quick, I want to remind everyone about some upcoming events. We'll be sending invites out shortly, these are webinars. So we have an August, 5th Medicare expert Cindy Stonum coming on to go over the different pieces to Medicare. Even as folks become eligible and even sign up for Medicare, Medicare does have some changes that happen, whether it's to the supplemental plans that are available or switching between a supplement back to an advantage plan and vice versa. And a lot of different things that happen with the prescription coverage on an annual basis as well. So we're going to bring her on, answer some questions, go through her overview of Medicare as well. So looking forward to that, August 5th. Again, we'll send out an invite to that.

We also are very excited to bring back Greg Valliere. He is a Washington insider, he's featured on about every major network on TV and on the radio. And we are happy to have him. We were going to have him live in person, but due to COVID and everything that's happening, we are going to have a live webinar with Greg.

This is on August 27th, so just before the election that's coming up. And so he's going to have his insights and provide commentary on all the key issues that we're facing as a country. And definitely the different options when it comes to not only on the presidential election, but also on the Senate and house, what could happen there?

So again, this will be August 27th, it's in the evening, live webinar. We're going to record these webinars. So if you're unable to make it, you can watch the replay. We'll, again, send out invites here shortly and we'll have an area for people to submit questions ahead of time. And then we will have a live Q&A with Greg and ourselves, Bill and I during the presentation. So looking forward to that. And then lastly, I'd like to remind everybody about the blog and podcast at keenonretirement.com. There's constant updates there, we have a new blog or podcast every week, and then we feature replays of these webinars. My previous market commentaries, the webinars are hosted there. Some of them I reference even what I talked about in the past, so you can go check out those replays. Again, keenonretirement.com. And if you haven't subscribed to that, there's a place, a section there to subscribe and then you'll get the updates as they come out.

So here we are, we're in Q3 now of the stock market here in the US, and here's what we've gone through so far this year. So Q1, we saw a pretty sharp decline, and actually it was the fastest decline from a bull market to a bear market. It was just right around 41 days. And the overall major market, especially the large cap markets were down nearly 40% at the low points here during Q1. Q2, we saw a nice rebound, and you'll notice that the markets have performed pretty well since that. And there's a lot of questions around what's happening, and it feels like there's such a big disconnect between the economy and what's happening in the stock market. And so I'm going to show you some data that kind of goes through why the market continues to lead the economy and why we expect that to happen in the face of some very negative economic data that is yet to be released.

And there's been many people that have missed this rally, especially some of the professionals. Some hedge fund managers, they get a lot of airtime on CNBC and the other financial news media about not liking this rally and thinking that it's not real. And even Warren Buffet, the most famous investor, I would say, he has been quoted as saying be greedy when others are fearful. And he's basically sat on the sidelines throughout all of this. So that leads to additional questions, is this real? If these professionals that have been doing this a long time have been nervous or cautious, what are we supposed to think? So there's always this gap between the economy and the stock market. And when we have sharp declines like we've had in every situation in the past, we've had very sharp recoveries. It's just this one was the quickest decline in history. And as I pointed out in some of my commentary in April, that we expect it to be a very sharp recovery, at least majority of the losses to be recouped in very short order. And that has happened.

Now, it doesn't mean we're out of the woods yet, and there can't be further corrections. But so far the playbook that's happened in historical correction, it's worked, it's panned out. Here's where we are year to date. So this is the S&P 500 in the blue line, and then we have the Dow in the red line. And I point them is out because they are representations of the US stock market, S&P 500 is 500 largest businesses and the Dow is actually only 30. They're designed to represent the major sectors of the US economy. And you'll see that the S&P down year to date a couple percent where the Dow is down almost eight and a half percent so far for the year. And this is as of yesterday's close.

So there's different makeups and different things that are driving the market right now. This is another representation of the market. So this is the S&P 500, but instead of being market cap weighted, which is what this blue line is, and that's the traditional way the index is built, what it does is it weights the individual stock by their market cap. So the larger the market cap, the more percentage weighting the stock has in the index. So essentially bigger companies have more of a say in what happens with the S&P 500 index. This index just takes all 500 businesses and weights them equally. And so what you'll see is that when you take a bigger picture and you dig into the market a little bit more, you'll see that the average stock still hasn't necessarily recovered.

Just because the overall index, the S&P 500, which is just one portion of most people's portfolios is close to even for the year, there's still a lot of stocks that haven't recovered yet. And I believe there's a lot of opportunity in those positions as well. To give you an example, so the top 10 holdings in just the traditional S&P 500 index, it represents 28% of the overall index. Those 10 stocks are driving nearly a third of the returns whereas when equal weighted, the top 10 stocks are only 2% of the holdings. You can see, some of the very biggest businesses have been driving the market lately.

When we take another view here at the market and break it out into the individual sectors, this is the performance as of yesterday's close broken down from best performing down to worst performing. So we have the tech sector up over 16% for the year. You can see then followed all the way down to the energy sector, which is down 39% for the year. And what you'll notice is that most sectors are still down for the year, healthcare even for the year. Consumer discretionary, which is surprising for a lot of people to think, okay, well, it's up for the year, but consumer, why would people be making discretionary purchases in a pandemic? We're in a recession too right now. Technically that has been announced as starting in February.

And so why would those discretionary stocks be performing well? Well, that's, again, makeup of the index. There is one very large holding in that index that is driving that primarily. And then communications again, very driven by some of those large businesses. But it is interesting to see when you take a step back and you kind of look at the market from a couple of different angles, there is still again, as I mentioned, some opportunity. There are still areas that have struggled on a year to date basis, and they might continue to struggle for a little bit more. But again, there's also opportunities too that still exists.

Now, I want to mention about the COVID, coronavirus issue because I've talked about that in the past. So here's updated data. This is where we stand worldwide in the number of cases and deaths and recoveries taking another kind of breakout look. What has been interesting is the cases that are serious or critical has continued to decline as a percentage of the currently infected patients, that was North of 5% several months ago. Now we're at 1%, so that is a good trend to see that those critical cases are declining. But also all of the numbers have gotten larger as well. Here in the US, we're at almost three and a half million cases, 138,000 deaths with the recoveries listed below. And this is the seven day moving average of daily new cases. And for a while there, things were looking very well, very good in a nice downward trend. And then in mid June, we've started to see that trend spike higher. And now we have more new cases than we've had in the midst of the original crisis in March and April.

But one thing that's been interesting is the death rate has declined. So we're seeing a steady decline in death right now. This will be interesting to watch as cases have picked up, we've seen a little bit more in terms of new daily deaths. Will that continue to rise or will that flat line? I don't know, but we will continue to watch that because I think that is a big thing that the market is paying attention to as well. It's telling us, is the number of cases while growing it's growing in a demographic that is not as hit by the infection and likely to decease from it.

And also treatments, maybe treatments are getting better as well, that's another thing. We're down 83% from the peak, but again, we'll continue to watch that because there is a little bit of a lag time between new cases and daily deaths. This is another graph that I like to show. It discusses how many new tests we are making each day. So as time has gone on, we've increased the testing. There's been kind of some spikes here and there, but it's been on a steady incline in new tests, which is great, but also the percent positive continued to increase. For a while there tests were increasing while percent positive was at least starting to go down and then trending sideways. And now we're starting to see that pickup again. But again, that death rate, it does lag a little bit, but we will watch that closely.

I think there is a lot of news media that continues to just talk about new cases and not necessarily about deaths and everything else. Now, with all that being said, I do not think that we will experience another government shut down. I don't think the government is going to force the economy to shut back down as it did in March and April. Now, there are certain areas where yes, they are suggesting and recommending and even telling some businesses that they probably need to stay closed longer, and is that in the bar restaurant industry primarily is where we're seeing that. From just a wider perspective across the US though, I don't think we're going to have work from home orders that are just mandated to go back. Because that is a significant cost to the economy in a lot of different ways, which, again, I'll show you some of the data.

Here's what we've gone through so far even as the market has recovered. Because before we entered the COVID-19 crisis, the economy was actually doing really well. The federal mills remain strong, and this was actually from the federal reserve, they talked about the risks to the economy. This was before they knew much about it, lowering the target funds rate in early March. And since then, the data, there has been a significant collapse in the economic data, but there is a consensus V-shaped recovery. So I'll tell you what that means and what that looks like. So here's what we've seen in the data, this is the initial jobless claims. This is getting discussed a lot. I mean, this was always a market reported data point. I think you've heard a lot more about this in the last few months than you ever had in the past.

But this is when people first file for unemployment, they get laid off and first file. Previous to coronavirus, the peak that we saw was not quite 700,000 in initial claims in 1982. So even the global financial crisis in 08, 09 and the tech bubble in 2000 did not see as many initial claims that we're seeing right now. In March 28th, we saw 6.8 million, it's steadily declining in initial claims. As new people get laid off, we're still at 1.3 million in initial claims, but that's only with new people. So what you have to look at is what we call continuing claims.

Again, this is initial claim, this has just blown up over the last year. And you kind of see that, basically that wall that the economy just hit in March with those initial claims. And then they steadily declined since then. Continuing claims, this is a data point I don't think gets as much attention. This is for people who continue to file for unemployment benefits. So what you hear, let me just go back, what you will hear is media, whoever they will add up all of these initial claims and say 40 plus million. Well, that's incorrect because some of those people have already gone back to work. Because if you just keep adding up all the initial claims from beginning of time, well, that will just wipe out all the jobs. It's not a data point that you continue to add to, it's the initial claims, but then you have to look at what's happening on a continuing basis.

Now, this is still elevated. So not to say that this is rosy by any means, but it's continuing to decline, that is the trend. Companies are bringing people back to work. Now, we will see what happens when the expanded unemployment benefits, they're set to run out here on July 30th. Well, more people go back to work then, I think we'll see that. But it depends on what the local governments and the state governments are mandating in terms of what businesses can still open and not open and what have you. So I think we'll see a more localized potential solution if certain areas of the country need to remain closed that the unemployment benefits for those areas might be expanded. But areas that are open, I don't think that we'll see that. That's going to be a policy decision that we'll hear from when Congress gets back in session towards the end of this month.

Now, here is the V-shaped recovery. This is a survey done by the Wall Street Journal. They survey economists across the country clustered globe about their expectations. And their forecast is for continued decline in economic data. So the data actually will get bad because it's lagging. I mean, we're just hearing data now that was for Q2, and we'll continue to hear Q2 data throughout Q3. So now we'll see how this pans out in terms of the expectation, but we are looking at this V-shaped recovery when it comes to the economy. Now, this is where small businesses, they kind of report where they're feeling about, we call it small business optimism index. And this comes out every single month, it was actually released this morning.

This is important because small business represents half the jobs in the United States, half the economy. Small businesses, what are they feeling and what's their outlook for the future can have a big impact in the growth of the forecast that I just talked about. Well, of the 10 components, we're seeing 8 of them in a positive trend from the previous month. And then in May, it was 8 of the 10 were also positive. So in May and June, we're continuing to see positive trends from small businesses, increases in employments, capital outlays. I mean, these are all very big components, earnings trends. Yeah, they don't expect earnings to be good, but that's kind of a lagging indicator too. That's what's happening currently. Some of these are what they expect to happen in the future.

And then this index you guys see where it compares in the past. So I think it's bottomed, I think we've seen the worst when it comes to the small business index. This can be kind of choppy depending on where we're at. But the key is, is the worst behind us when it comes from the economic data? Again, some of it, it's going to report history. So it's still yet to be seen. So is the market reacting in a positive way of what we expected to happen in the future? And this is really where I think what's happening in the stock market relative the economy. This is another index measures economic activity in the manufacturing sector. So the Institute for Supply Management, they put out two indices, and they are widely followed by Wall Street, by economic analysts.

It gives us a trend for both the manufacturing and non manual factoring index. Anything above 50 is considered expansionary and anything below 50 is considered contraction. And you can see that index, this is manufacturing sector, it's been on a decline, it's been on decline for a while. I mean, it represents less than 10% of all the jobs in the US economy, and it's been on that decline for decades. But it is a component that we like to measure. Early 2020, we were actually starting to see expansion, and then we had everything shut down with COVID, and then now we're seeing expansion again. Of the six industries, three of them are indicating expansion. Then of the seven indexes, there's 5 of the 10 that are looking an improvement from previous periods. That was a major surprise wen that came out well ahead of where expectations were. That was a surprise in the market.

And then on the non-manufacturing because this is where people are like, okay, manufacturing, great, it's not very large. Well, this represents the majority of the other jobs in the services sector, 57.1. And it's the same above 50s, expansionary, below 50 is a signaling a contraction. We've been kind of bouncing around. But again, anything above 50 is good. So it's not about necessarily, excuse me, the downtrend or not, it's about the absolute level. Now, we saw that pullback in March, April, and that's where we're at currently. So economic surveys, and these are surveys from businesses, the small business index, and then this ISM index. This is interviewing businesses and asking them their opinion on these things and what's happening. Some people like to think that government data can be manipulated, this is not put on by any government, the ISM indexes.

Now, this is digging into the non-manufacturing more because again, this represents a majority of the economy. You can look and see the different areas that are showing growth, business activity, new orders, now employment contracting. But look where it was in May, 31.8. In June, it's 43. I mean, it's up a lot. It's below 50, which they're lying there. Supplier deliveries, that's slowing down a little bit, of course depends on what their inventory levels were and what their sales expectations are. But look at growing, a majority of the components are showing significant growth. This is a rebound, so we're seeing a rebound from such a sharp decline in March, April, May, June, seeing this rebound. But that does signal that the economic data, a lot of the worst, we're seeing things improve. The worst of it can be behind us. Again, though, still going to be data released that's dated that's going to be bad. But on the leading indicators, seeing a lot of improvement.

Basically to summarize the ISM reports on business, the overall economy is showing growth, manufacturing, non-manufacture sectors all showing growth. So those areas when we kind of dig in are showing a rebound. Again, not that things are all good, it's all about the direction. I've said this before, it's not good or bad, it's about getting better or getting worse. That is really what the market cares about. Jobs and wages, we were full employment sub 5%, actually it was in the 3s when it came to the unemployment rate or unemployment rates in the US. And now we saw a major reversal in that, but we've seen a lot of surprises on the job market as well.

And then forecast, those surveys are forecasting additional job formation in the months and quarters ahead. Here on the wage side of things. So this is what we've seen happen. The blue, this is what is called disposable personal income. So that's income people have after taxes and after fixed payments. So it's what they actually have to spend. And this is on an aggregate level. So what we saw was beginning of the recession, which again they don't tell us we're in a recession until after the fact, but the National Bureau of Economic Research did come out and say the US was in a recession in February. It's not the technical two quarters, they don't necessarily go by that because we haven't had two quarters of negative GDP growth. They look at just economic activity primarily.

And have designated the recession, so the federal reserve is in agreement with that. They are signaling this, that's what this little gray bar is representing.

You can start to see disposable income going down as layoffs started happening. Well, the CARES Act was then passed in March, and you can see the impact that the stimulus checks have had on personal income and also the expanded unemployment benefits. Just a massive spike in income. Now, it's starting to taper off because it's not indefinite. So we're seeing those stimulus checks, the impact of that is starting to decline. And also as people go back to work, that expanded unemployment benefit goes away for those folks. Now, below I also have the personal outlay. So these are expenses in the red, and then the savings rate, it's what percentage are people saving? Essentially the difference between personal income and outlays.

Well, you can see expenses just dropped like a rock, starting to pick back up again because people, they weren't doing anything. All the travel was canceled, going out to eat was canceled. Movie theaters are closed. I mean, everything was closed. So majority of expenses dropped. And then the savings rate just skyrocketed to about 33%. It's just crazy to see some of this data, you'll see here some of these other spikes in previous years, and that's because of different tax, policy changes, increases in personal disposable income or stimulus payments that we've had in previous recession. But to see this type of just the data, what it does is it tells us the fed, I mean, they came out whether you look at it from the federal reserve and also Congress and the government side of things. I mean, the trillions of dollars that they have thrown at this is showing up. The money supply has increased significantly. And the policy response was very quick.

You look back, here's a longer term, this is real disposable income per capita. So this is when we divide this out by individual. So the first one was just the aggregate. Disposable income per capita~, so real means after inflation. We're almost at 52,000 prior to the recession starting just North of 46,000. So on an individual basis, the real disposable income just shut up significantly. And as I mentioned, you see these little spikes from whether it's tax policy or different stimulus payments that we've had in the past that increases disposable income. But the policy response this early in the recession was massive.

I mean, the fed really did learn something from what happened in 08, 09. It took them a long time to act in the global financial crisis relative to the situation that they had to react to. This did not take very long in the grand scheme of things. This money supply and what the fed has done, it is having an impact in the economic like data. I mentioned the jobs market. We're not out of the woods yet, by any means, we had almost net, almost 21 million net job lost in April followed by two and a half million jobs gained in May and then 4.8 million jobs gained in June. So this is the month over month change just to give you a comparison to previous recessions, just the massive rate of change between this data.

Now, this is how you should look at it. This rate of change data, this can be used by individuals to maybe make things look better than they really are. Here's just total employees here in the United States. So this is the graph. And you can see the continued employment growth since the 08, 09 recession, peak here about 52 million and then bottomed down here below 132 million and then now we're down about 14.6 million from the peak. So that's the way to look at it. That's where we are from the peak when we look at all employees. So again, as I mentioned, you hear people add up all the initial claims and 40 million jobs and everything else, this is the way to actually think about what's happening in the jobs market. So we're down roughly 10% from the peak when it comes to all employees here in the United States.

And the unemployment rate followed that almost 15%, now we're down to 11.1 in June. We'll get a new data point here soon. There was calls early on for the unemployment rate by some economists and even folks in the federal reserve that we could hit 20, 30% unemployment. Didn't hit that. I don't think we will. I don't know, think again, we're going to see this other massive spike again considering what we're going through and what the federal reserves committed and the government's committed to getting us through this. I talk a lot about stock prices and earnings, and stock prices follow earnings. And you'll see here, this is a earnings per share of the S&P 500, year over year change. This goes back, you can see previous quarters, the positive growth. And then what we're forecasting here for earnings reports for the next four quarters.

And yeah, you'll see a very big decline. And that's built into the expectations, that's built into where currency stock prices are now. And so one of the positive things that we could see is we begin see a surprise to the upside, still bad earnings reports, but better than expected. The market will probably react very positive to that. And the other thing is many companies most likely aren't going to be providing guidance. That is where they give Wall Street and the analysts some idea of what the next couple of quarters of earnings will look, some different sales revenue figures. And I think many companies aren't going to be providing that because there's just so many unknowns and just provides a lot of updates and changes if they provide that and then have to constantly be tweaking that. But this is built in to where stock prices are currently.

As I mentioned, stock prices follow earnings. So here in the black is the S&P 500 and then the red is earnings. So you'll see there's periods where prices get ahead of earnings and periods where earnings are growing faster than prices. But this just plot, you can see that correlation. And this is the reaction. So again, as I mentioned, some of the data is going to continue to be bad, corporate earnings, they're coming out right now for Q2. They're not going to be good. And so earnings expectations are very low, and we'll see that plotted on here. And then again, that rebound. And this is the market is reacting to the rebound and future earnings. And I think some of the earnings expectations could be light because companies, they use these periods to restructure reduced costs, which increases future earnings.

Now, on the high-frequency economic data, I've talked about this and we've done some podcasts on this as well where it's just what's happening in real time because even a week between some of the data reports is just too long because it was changing so much. So these are different data points, we've got mortgage applications. I mean, those have just gone through the roof and maybe it's because people are trying to get out of cities and they want to go live in the suburbs partly. These are new purchases, but there's a lot of refinancing activity happening right now. Interest rates are if not at the lowest level we've ever had on mortgages, they're darn near the lowest level. I mean, on a daily basis, it fluctuates a little bit. So a lot of demand for mortgages, which is interesting because that is one of the largest expenses someone's going to make.

So you have to feel pretty good about the outlook if you're going to be making a new home purchase and taking out a mortgage. And then this also means, this is applications, but also the people are getting the mortgages. It's not the fact that, okay, yeah, there's a huge demand for them and no one's getting them. I mean, majority of people are qualifying for mortgages. Now, seated diners, that data, it had some spikes there, starting to slow down a little bit. It depends on the city that you look at, but we are seeing some folks go back out to eat. TSA traveler, traffic is picking up. There was early on about a month ago, the data was looking like it could get back to where it was by August. That has slowed down a little bit, so it's starting to push that out some.

Driving is up significantly. I think most folks not able to travel or at least not wanting to travel through air, they're picking up more day trips or places you can drive to in a short amount of time. And we've had several folks come in and tell us that they wanted to rent an RV and go to national parks and do something different like that. There's no RVs for rent. And if you can even find one, if you have one, it's very hard to get into a lot of the parks to get camping spots because that has been a common idea across the country. One of the surprising ones I thought was the hotel occupancy, really starting to rebound a lot. Now, whether that's folks just getting good deals and wanting to go stay in a hotel, but that has continued to ... Even though air traffic is still down, hotel occupancy is starting to really recover.

And then global flights, that's just looking it across the globe. So that's picking up much quicker than it has here in the US currently. But the high frequency data is important to see because it does give us a little insight into the consumer's comfort level with getting out and going to do things. Whether that's right or wrong on spreading the virus, hopefully everyone is staying safe and doing what they can. A lot of social media conversations around a lot of this stuff. I think almost everyone's best decision is to stay off social media. It just seems like it's not a very nice place to be, especially folks sharing opinions on everything. I've talked about these indicators before, so I wanted to give an update. That was a question I had is where do we stand on some of the indicators that I talked about?

And these are indicators that we look at and think, okay, if they're at a certain level, we would deem the economy in a normal state. Now, this doesn't mean that we have to see this happen before the market gets to an all time high, because the market we're most likely to get to an all time high before some of these data points get back to a more normalized level. But jobless claims, under 400,000. That would be good to see, that's a normal kind of business cycle metric. And again, as I mentioned, we're over 1.3 million currently, so still has some room to go. That was 6.8 at the peak, now we're at 1.3. This is an ETF, LQD attracts the corporate bond markets. And the price of it shows investors' demand for corporate bonds and wanting to take on corporate credit risk. And for a while there, that was hit pretty hard. That was one of the programs that the fed has come out and backstopped with one of their facilities is the corporate bond market.

And we saw that, that price has rebounded up over $135 currently. This represents, J and K represents an index for the high yield market. So high yield bonds are bonds that don't have as good of credit quality, so they pay higher interest rates. And so when you see the price of that decline, that's essentially investors saying they don't want high yield bonds. They feel that the risk of default is increasing and it's not worth the additional coupon, the additional interest that they receive for owning those bonds. So the high yield bond market, it was up over, 107 is about where we saw before the pandemic hit, we're at 101. So there's still some room for improvement there, but definitely above the lows that we saw in March, April.

The tenure yield, so this is the government bond. When you invest in government treasuries, they have different maturities, different lengths. 10 year is a very common one, commonly quoted. So you can loan your money to the government for 10 years, and they will pay you, the government will pay you 0.64% a year for the next 10 years. It's just crazy to see something that low, when you factor in inflation, I don't know what's going to happen over the next 10 years, but I am pretty confident that someone after inflation is going to end up with less money. This could go negative at some point, the interest rate on government treasuries. And it's because investors demand for government bonds right now, it's very high, I don't think this is very attractive. I mean, if we saw rates go back up above 1%, that means investors, their risk appetite has probably increased a little bit, so they're not demanding as much from government bonds. And so that's not driving down the yields anymore.

The federal reserve controls short term rates, they don't control the tenure treasury through their open market committee operations. So this is what investors are basically saying on what the government bonds worth here in the US. As I mentioned, I don't think it's very attractive, especially when, now you have to put this in the context of your overall portfolio and risk tolerance. But you look at what the stock market is yielding, it's nearly three times that on a dividend yield. Now, of course there's volatility and fluctuations, but there's volatility in bonds as well. But there's a lot more probably current attraction in stock prices and dividend yields than there are in bonds currently.

But again, they do have a piece in the portfolio, so not disparaging bonds completely. It's just the government bonds at these low yields really aren't very attractive. We've seen oil rebound, oil was negative $37 a barrel at one point, now we're back up to 39, almost $40 a barrel. That was a interesting dynamic that happened, more of an issue with too much supply and nowhere to store it. So there was oil futures contracts, which means if you own that contract and you owned an expiration, you had to take delivery and you had to find somewhere to store it. No one wanted the contract, so they just kept selling it until it went negative $37 that day. People have gone out and driving traffic has picked back up, oil demand has picked up. So it ate off some of that excess supply, which that's where we're seeing current oil prices reflect that. Kind of phenomenon in the futures market.

And then copper is another metric, it kind of looks at global infrastructure spending because copper is used in that. And so we're seeing that over, we were looking at something over $2.6. Now, at 2.92, again, improvement there. And then US dollar, we want to see that. When dollar is strong, that's just investors, especially international investors are just piling money in the US dollars because they don't have much faith in their current governments' currencies. And so when dollar gets high, that also causes some competition issues and import export issues when it comes to the US goods and things that we bring into the country. So we don't want to see the dollar get too high. So currently at 96 is a normalized place to be.

You look three of the seven indicators, I'm sorry, four of the seven indicators are above. Whether they stay above these areas or not, but it's just the fact that we're seeing some conditions continuing to approve over the last several months. So this coincides with the economic data that I'm looking at when it comes to the jobs market and it comes to business surveys and optimism indexes as well that folks, businesses are comfortable spending money again, which is going to then drive future job growth, drive future GDP, and then that correlates to future earnings in the stock market.

So why are stocks recovering? Because this whole disconnection between the economy and the stock market, we've had this government mandated shutdown. This unemployment rate that we saw still, we haven't seen something like that since 1930s. And then we've got stock prices. Even when I showed that broader based index that's down 10% for the year, I mean, still within 10% of all time highs are very close to that is people will have a hard time understanding that. And there are no shortage of negative news stories whether it comes to what's happening with COVID new cases and what's happening with that, all the social unrest that's happening as well. The predictions for another collapse in the stock market, there's nonstop. The reality is, I mean, stocks do go up most of the time. If you look at it on a year to year basis, there's a 70% chance that stocks will be higher.

So those are pretty good odds going into any year. And most investors, when we look at it from a behavioral standpoint, they are more what we call risk averse than risk seeking. So they would much prefer to lose less than to gain more. So people when they lose a dollar react way worse than when they gain a dollar. And so seeing the market react that way in March, April, isn't necessarily surprising because that is what investors do, excuse me. But what we've seen since March, there have been a phenomenal number of investors that have panicked, and we are seeing a lot of cash on the sidelines. I mean, there are record cash in money market funds and bond funds have seen huge inflows as well. I mean, that's part of the reason we're seeing some of those bond prices that I showed you go up and bond yields go down.

As more money chases those things, it decreases the yield, increases the prices. And we have stocks that are yielding, the stock market yielding nearly three times the government bond. So there is a ton of opportunity that exists. And this is what the market is looking at and why investors are continuing to to add to their equity holdings. This isn't the first pandemic that we've already had. This is the fifth one since 1900. And so every single one prior to that, the economy's recovered. Of course, there's different circumstances and situations that's happened, but we have gone through those in the past. I believe the economy is already bottomed. Again, some of the data that's coming out is going to be backward. It's looking back at what's already happened. And so the worst of it is behind this, I think when it comes to all the economic data.

Stock recoveries are always V-shaped. This was something that I spent a lot of time on in my webinars in April kind of talking about the speed of the decline and what we've seen in the past and how quickly recoveries are, because there is a symmetrical kind of playbook that comes to that. And again, this stock rally is following that one to a T. And we're seeing that V-shaped recovery. I mentioned this, companies cut costs in recessions. I mean, there's employees that won't get hired back. It's not good for those employees, but certain businesses that maybe were bloated to begin with are going to use this as a way to restructure and you reorg to be more profitable going into 2021 and beyond.

And so I think that's going to lead to higher earnings growth in the stock market in 2021 beyond what we've already seen. And then the fed is committed to whatever it takes. And that is a very important piece to this. I mean, the federal reserve and the federal government too, they have come out with massive stimulus packages. And the federal reserve specifically is, they've acted very quickly. In early March, they were already putting together some of the programs that are in place today that are kind of backstopping some of the market. And what they're trying to do is prevent any deflationary measure from happening. I mean, deflation is not something that we want to see, that is where asset prices decline.

And then people put off spending money because they are expecting future prices to be lower than current prices. So it just is a cycle that is hard to get out of. So that's why the fed is kind of committing to backstopping asset prices to, you can say prop the market back up. But I mean, what they're doing is the providing guarantees, they're purchasing bonds. They're going to receive interest on those bonds. They're not just throwing money into a black hole, they are investing it whether it's purchasing baskets of corporate bonds currently or if it's providing some of these loans. Maybe some of them don't get paid back, but they are backstopping loans that then are being pushed out to the small business administration to provide support for small businesses that don't have access to some of the lines of credit and capital that the larger public companies have access to.

And there is a saying that I've heard ever since I've been in this industry for nearly 20 years, and it's don't fight the fed. The federal reserve, they have a lot of ammunition and they have a lot of bullets, so to speak when it comes to fighting a recession, fighting a deflationary market, what have you. And they basically said, they're going to let inflation actually probably get out of the outside of some of their previously discussed comfort zones. So they want the money supply to grow and expand and actually create future inflation more so than they've had in the past. So I think that'll be an interesting dynamic. That is definitely good for asset prices when you look at it.

They're not saying it's going to get out of control like we saw in the 70 sand early 80s. But instead of a 2 to 3% inflation measure, they're saying 3 to 4%, which is a change. That's something that they haven't said in the past that they're looking at letting inflation get a little bit ahead of itself before they start to raise rates. That's another thing, rates are gonna be low at least for several years I believe. There's not any discussion about raising them anytime soon or even in 2021 when it comes to the situation. This is I think the theme of this webinar today, and it's just all about better or worse tends to matter more than good or bad. It's just not the absolute level of good or bad, it's about what direction things are headed.

And things are getting better when it comes to the economic data. The worst is behind us. Again, reports are going to be, some of them are going to be lagging. But when it comes to what's improving, what's happening, we're seeing jobs being added, we're seeing businesses feeling optimistic for the future. And that is what the market is reacting to currently. Again, earnings reports are not going to be good that are being announced now. But we're going to see market react good and bad based on some of the expectations and some of the reports, whether they were way worse than expected or even a little bit better than expected.

So I hope everyone enjoyed the presentation. I tried to answer as many questions ahead of time with the the data that I presented. I will look at the questions that were submitted and reach out, me or my team will reach out, provide answers to those questions. Also, if you have any additional questions, you can always reach us. We're a phone call away, email away. You can email myself, you can email Bill, you can email anyone on our team and we will get you answers to those questions. Again, I want to mention keenonretirement.com, check that out. We'll have a replay emailed out shortly with this. So some folks like to re-watch it, then that'll be available as well. And if you have someone you want to share this with, please just forward them a link to the replay that we will send out.

And then also we have Bill's best selling book. I always suggest if you don't have a copy of that, please let us know. We'll mail you out a personalized copy. If you have any friends, family members, maybe their children you want us to send a copy of the book to, we would love to do that. It's got a lot of great reviews on Amazon. So happy to see the book. We'll actually need to provide some updates, we've had some changes here in some of the rules and regulations. So we will see a updated volume two here I think in the near future as well. So again, thank you all for attending the webinar today. And I hope everyone is having a great summer so far and staying safe. Thank you.