Date Issued: 2020

Contact: mtuttle@tuttletactical.com

Matthew Tuttle is CEO and owner of Tuttle Tactical Management, LLC, and manages publicly-traded ETFs.

Post-Coronavirus, "There is No Market"

Tuttle Tactical Management

Introduction

Traditionally, when you think about what the market did on a particular day, it generally wouldn't have mattered whether you were thinking about the Dow, S&P, or NASDAQ. Because markets were often correlated, if the market was up, then you'd know that you probably made money that day. If the market was down, you could presume you had lost money.

Covid-19 has changed everything. Cable news networks may still focus on, say, the Dow's performance as a representative of the market without realizing that it represents an old economy. The same could be said for the S&P and NASDAQ as well. They represent a pre-coronavirus economy, so they're irrelevant except from the standpoint, of course, of one's clients and the still-dominant percentage of investment products that still essentially track the three indices.

Beyond that, they don't tell you what is going on anymore. **Now, the market is comprised of the haves and have-nots, or, put simply, the stocks that benefit from coronavirus and the ones that get hurt.**

What's Propping Up the Market?
The Case of the Haves and the Have-Nots

Over the past few months, analysts have debated what exactly has been propping up the market, considering how the general economy has taken a hit as a result of the national and international lockdown. However, if one stops thinking about the "market" as a correlated, homogenous entity but rather thinks about it in terms of a new paradigm (i.e., the "haves" and "have-nots"), the situation gets a bit clearer.

For example, one could argue that there is a group of stocks (e.g., streaming, shipping, video-conferencing services) that are worth more today than they were pre-coronavirus. These are companies that can benefit from how culture has adapted post-coronavirus. If some of these stocks were already at record highs before Covid-19, then it makes sense that they could be worth even more now.

Then there's biotech and healthcare. Biotech and healthcare may have been overlooked sectors prior to Covid-19. Now, the situation is different. More and more money could flow into these areas as well.

On the other end of the spectrum, there are the "have-nots." These are the stocks (e.g., airlines, cruise ships, anything travel and leisure related) that may get crushed as a result of social distancing. It would be difficult to argue that these stocks and sectors should be at all-time highs, considering the level of uncertainty regarding when travel will be safe again. However, because the economy is beginning to reopen, it does make sense that some of these stocks would at least be trending higher than they were at the end of March.

In terms of the day-to-day performance of the market, one may see several scenarios play out. If generally the market appears to be up one day, it could be due to the "have-not" stocks rallying. Perhaps the "have" stocks were up the previous day. In this new environment, the length of which is uncertain, it's increasingly difficult to make generalized statements about the market being up or down, especially in relation to the overall performance of the Dow, Nasdaq, or S&P, which may or may not necessarily reflect the complexity of the situation.

It's important to take the time to think about the ways in which the markets have been acting in the midst of our response to the coronavirus, not from a position of being able to predict or bet on when the market "returns to normal" but rather from a position of preparing for the possibility that it won't.