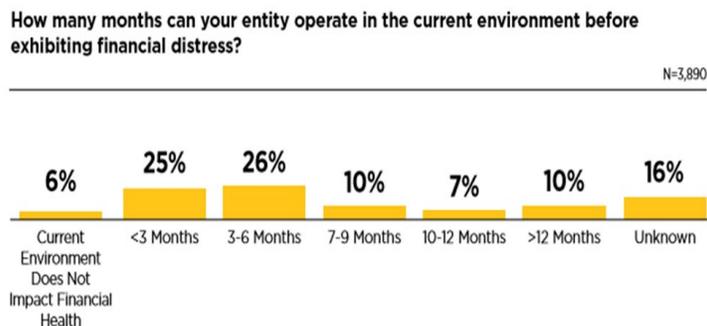


Macro View – Surveying Main Street

The Federal Reserve produced a report surveying communities across the country and the impact COVID-19 has had on Main Street USA. Nearly 70% of respondents indicated a “significant disruption” to the communities they serve, making recovery “expected to be difficult.” 35% said that it would take more than 12 months for their respective communities to return to the conditions experienced pre-pandemic. The impact of the pandemic was characterized in the survey as income loss, health concerns, changes in food and housing, impact on homeless and vulnerable populations, non profit impact, and business impacts including closure, revenue loss, and supply chain disruption. Over half responded that their entity could operate up to six months in the existing pandemic economic environment before exhibiting financial distress. The bar chart below shows the results for entities’ ability to maintain sustainability.



Taking Stock – An Extreme Dislocation

Factset has offered tremendous insight into forward earnings. When overlaid with the S&P 500 price, there is a clear dislocation. The forward 12 month P/E ratio for the S&P 500 is 21.0 (Factset). The 12 month forward EPS is just above 140.00 with a precipitous drop at the end of Q1. At the same time, the S&P 500 produced a significant rise. In Q1 2020, the approximate earnings decline was 14.6%. Earnings were revised even further by 6.9%. Furthermore, one-third of S&P 500 companies withdrew EPS guidance for 2020 as a result of uncertainty given the pandemic. For 2020, analysts anticipate a year over year decline in earnings of 42.9% for Q2, 24.8% for Q3 and 12.4% for Q4. Earnings surprise, be it less bad news, may be difficult to navigate if companies are not providing earnings guidance.

