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Hi,

We hope that you and your family are doing well. Unfortunately, many of us will not be enjoying trips to the cabin or backyard family gatherings this long weekend. Nevertheless, we hope you find some fun to get up to and enjoy a relaxing long weekend at home.

Equity markets trended lower this week after posting several weeks of consecutive gains. Though none of us like to see negative price movements, a healthy pause in momentum this week for the broad market may be what was needed.

With the economy under extreme pressure, many analysts have been wondering how equities could have bounced so hard from the March lows. With unemployment above 15% and real GDP expected to fall around 30% in second quarter, how can equities be doing so well?

One key to understanding this is that investors do not buy shares of the economy or GDP, they buy ownership stakes in a distinct set of companies, many of which are doing quite well despite the general economic carnage. In many ways, the spread of Covid-19 has given larger well-capitalized companies, particularly technology companies and big box stores that could stay open, an advantage over Main Street competitors. And unlike Main Street businesses, a large share of these companies is publicly traded.

Nevertheless, the average investor is not sold on the staying power of this rally. There are many reasons for this. Memories of how prior bull markets began have long since faded. Additionally, the media's short-term focus impairs our ability to consider the long-term goals that our investments are tied to. Faith in common stocks was rarely lower than it was on March 23rd as investors stared into the abyss and considered a replay of the Great Depression. These disconcerting thoughts do not come around often and they play havoc with investor emotions. Investors will not love this market until they recoup this year's losses and see more reasons to believe.

What separates seasoned investors from the majority is discipline; the ability to invest objectively without allowing emotion to override judgment. From a long-term investment perspective, this could be the greatest bull market of our lifetime because it could go on until all our reasons for not loving it are forgotten.

As always, we welcome any questions or comments that you may have. Have a great weekend.

[CLICK HERE](#) to view a chart on historical Bear vs Bull markets.

Best regards,

Harry and David

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