



## April 22, 2020 Communique Recovery

To all our valued clients,

As the COVID-19 situation continues to unfold and evolve, we at Baker Financial Group (BFG) continue to wish the best of health to you, your families, your friends and loved ones. We also applaud and wish our health care specialists and workers the best as they battle the virus on the front lines.

Economists and strategists are pontificating on which kind of economic recovery we may undergo globally. When discussed, it is usually through comparison of the shape of the graph representing economic or market growth through time to an identifiable shape. Prominent comparisons are:

- V-shaped recovery: where the financial markets snap back and go straight back up
- W-shaped recovery: where the markets go up and go back down to test their old lows one or two more times
- U-shaped recovery: where the markets drag along the bottom before eventually recovering
- $\sqrt{\quad}$  Square root sign recovery: where the markets recover and then go sideways.

The key word in all of these descriptions, however, is RECOVERY.

We don't pretend to know what shape the recovery will take, but it will be a recovery nonetheless.

The financial markets around the world have demonstrated greater volatility in a shorter period of time than we have witnessed in a very long time. Please see some TSX and S&P 500 statistics below:

	TSX <sup>(1)</sup>	S&P 500 (in USD) <sup>(1)</sup>
Jan 1/20 to the low on Mar 23/20	(34%)	(30%)
Jan 1/20 to end of Q1 Mar 31/20	(21%)	(20%)
Jan 1/20 year to date April 17/20	(15%)	(11%)
Recovery from March 23/20 to April 17/20	+21%	+24%
Recovery from April 1/20 to April 17/20	+7%	+11%

While the markets have staged a healthy bounce since the lows of March 23, 2020, they remain in negative territory; year to date as of April 17 down almost 15%<sup>(1)</sup> on the TSX and down almost 11%<sup>(1)</sup> on the S&P 500 in USD. At the end of Q1 (March 31, 2020) the equity markets were down approximately 20%<sup>(1)</sup> on both sides of the border. History tells us that the recovery in the financial markets will be a bumpy ride.

<sup>(1)</sup>Source: Thomson One

As we wrote in our last communique, “Light at the End of the Tunnel” dated April 6<sup>th</sup> 2020, positive signs continue to persist:

- The COVID curve is flattening
- Progress is being made on treatments & therapies, maybe even a cure
- Governments have turned their planning towards reopening the economy instead of shutting it down
- Fiscal and monetary stimulus continues to flow into an increasing number of programs
- Oil producing nations are beginning to resolve the demand & supply imbalance of the commodity
- While there has been a substantial rise in unemployment, we believe much of that will prove to be temporary once the virus is managed down and the economy begins to recover
- Many employees who have remained working as essential services have received increased compensation through support payments and overtime hours confirming that the economy has not completely shut down
- Many businesses have remained open and in some cases have increased revenue by pivoting and adapting confirming that new businesses and jobs are resulting from the economic effects of the virus

While we cannot begin to predict what type of recovery it will be, V,U,W,  $\sqrt{\quad}$  etc. eventually the recovery will take hold. We remind ourselves constantly that the financial markets are a reflection of individual businesses and not just one single big entity. Our process does not lead us to try to beat or time the market, but rather to invest in businesses with a long-term time horizon in mind while staying focused on your long-term investment goals and financial plan.

If you are at all worried about your investment portfolios or are uncomfortable with the volatility in the markets, please reach out to us to discuss.

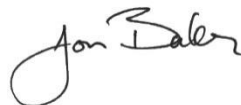
On behalf of Baker Financial Group, CIBC Wood Gundy, we work hard every day to be worthy of your trust.

Most sincerely,

CIBC Wood Gundy  
Baker Financial Group



Bryan Baker



Jonathan Baker

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