

Markets Closed Up Big Today Amid Positive Coronavirus Vaccine Results

The past week saw continued volatility as equities sold off Monday, Tuesday and Wednesday just below the 200-day moving average and right at the late April highs. Major indices opened down more than 1% on Thursday and Friday, only to make their way to positive territory by the close. This is a big positive on two fronts. First, it is impressive to have a big reversal two days in a row, not to mention in the face of terrible news. It shows that bullish investors continue to step up amid pronounced selling. Secondly, the buying occurred just as the 50-day moving average was being tested. After the 200-day moving average, the 50 is the next most important. A close of the S&P 500 below its 50-day moving average would portend more selling to come.

Today, we are seeing the impacts of Friday's reversal continue. Bullish confidence, as well as news that the biotech company Moderna has completed a successful human trial of a COVID-19 vaccine, has propelled stock indices higher by more than 3%. This is the best day we've seen for equities in over a month. We are witnessing perhaps the worst economic news in our lifetimes and stocks have not collapsed. In times like this a little bit of good news can do wonders for the bullish cause. It can be a very dangerous thing to be short when all the bad news is priced in. Any hint of improvement can result in massive short covering and a rapid and steep rally.

Let me be clear, we are nowhere near out of the woods as investors or as an economy, but we are holding our own. We will see if the third time is a charm and the 200-day moving average can be reclaimed. If that can happen, it will likely force a lot of cash sitting on the sidelines back into the market. We discussed this phenomenon in early 2019 as markets began to climb out of the hole dug during the fourth quarter of 2018. That commentary can be found [here](#).

Lastly, it's worth noting that small caps and materials outperformed today and that is also a good sign. Equities have been in a trading range for the past six weeks. A break in either direction will be significant.

Last week's market commentary can be found [here](#).



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The COVID-19 health epidemic has had substantial global economic impact on financial markets. As of March of 2020, restrictions to travel and business spanning the economy for activities not deemed essential have been imposed throughout the United States. These restrictions have caused unprecedented volatility and uncertainty in capital markets and have negatively impacted the economy. It is unknown how severe the impact to the economy and capital markets will be if the epidemic persists for an extended period of time. The epidemic may have a material adverse impact on Cabana’s investment advisory business including, but not limited to, the performance of our portfolio strategies.

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