

Covid-19 Cases Spike in the U.S. as Boeing Resumes 737 Max Test Flights

The S&P 500 closed on Friday just below its 200-day moving average. This was the culmination of a 5% drop for the week. The Dow and Nasdaq suffered an equally bad week. This is the second serious technical challenge that the S&P 500 has faced in the month of June. The selling was prompted by renewed fears of Covid-19 cases spiking throughout the country. We are now seeing more daily reported infections than at any other time during the pandemic. Texas, Florida and Arizona are all being hit especially hard. These states were among the first to relax restrictions and are now having to backtrack on fully opening their economies in the hopes of containing the spread. Each day it seems more and more obvious that this virus is going to be with us for the foreseeable future.

Given what we are facing medically and economically, I am frankly shocked that the markets have held up as well as they have. With that said, I never question the collective wisdom of markets themselves and continue to put my own opinions aside. I will offer a thought, which I touched on last week. When markets remain resilient in the face of bad news day after day, the risk to traders shorting the market is that eventually some good news pops up and prices surge to the upside. Right now, we are back at the low end of the trading range that has been in place for more than three weeks now, so it remains to be seen how this plays out.

This morning, Boeing announced its resumption of test flights for FAA certification of the 737 Max. This caused the stock to soar more than 10% and pulled the Dow up with it. The major indices are all up big for the day. This is allowing the S&P 500 to jump back above its 200-day moving average and keeps the rally that began on March 23 intact. This is an important response to the selling we saw last week. It is also worth noting that we are seeing leadership within sectors that have previously been laggards. Industrials, small caps, transportation and dividend payers had a strong day. This is a very good thing and is necessary for the broad indices to move higher.

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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