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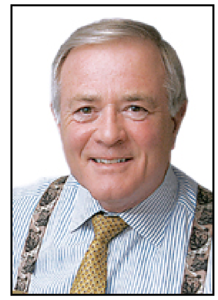
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# OP-ED: Market disconnects from virus, takes its own walk in the park

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With the first half of the year in the record books, we can reflect back. The S&P began the year at 3,231 and climbed to 3,386 on Feb. 19, when it took a sharp drop ending at 2,237 on March 23. Then the market began a seemingly V-shaped recovery and bounced up to the current level of 3,100 on June 30.

The market was aided by very supportive actions from the government. The Federal Reserve announced that it would do whatever it takes to keep the economy strong. The administration offered strong fiscal support through stimulus packages. The virus appeared to take a breather, which gave the market optimism.

As the stimulus packages began to wear out and the virus began to resurge, only the Federal Reserve was able to continue its support for the market. The Fed has almost unlimited ability to support the market through monetary policy, including even buying assets.

The administration has an appetite for disbursing money through various methods, but that could have a practical and political limit. The virus seems to be in charge. Hope for a vaccine stimulates the market, but fears of a new virus and resurgence of the current virus raise market concerns. It is too early to tell who or what wins this contest. Individuals have the ability to influence the outcome by employing safe health practices, but will they oblige?

In the meantime, the market seems to have disconnected from reality, with stocks surging and soaring to ever higher levels. Every new hope for a vaccine elevates stock prices. Investors should practice caution, even as they fear missing out on the uptick in the market. A barbell approach may be in order: owning defensive stocks on one side of the barbell and more aggressive stocks on the other, with quality stocks in between as connectors. A long-term investment strategy will also help. Defensive stocks could include health care and consumer staples. Technology stocks with strong balance sheets and profits could be the growth side of the barbell. Trading in this market is for only the extremely nimble and those with cast-iron stomachs.

The outlook is that the government will continue to support the market. While this may not be good economics, it is not uncommon for the party in power to do what it can to stay in power. Thus, we can expect the administration to pour money into the economy through various stimulus programs and government spending. As we approach the quarter before the election, we can expect an increase in government spending. The Fed will find new interest in its mandate to keep the economy strong. The result will be cheap money. Inflation seems quiet for the moment, so the Fed has a clear field in front of it. The election is itself a major event for the market. The election contest is just too early to call. At this time the contest appears to be between Trump and Trump, with Trump losing, as he trips over himself. While it appears that current momentum is on the side of the likely Democrat candidate, Joe Biden, the election is just too far off to confidently predict a winner.

Will the election make a difference? If the president is reelected one can expect a continuation of the current business friendly policies. If Biden is elected, one can expect the policies of the White House to move to the left. Biden has already said he will raise taxes. The voters have yet to decide which collection of policies, and the accompanying baggage, that they prefer.

Foreign policy could also play a role. Our relations with our allies have been strained to a level not seen since before WWII. Our relations with China have deteriorated. Whatever the outcome of the election, for the good of the U.S. economy, these relations have to be repaired.

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