SOUND ADVICE: April 15, 2020

Not so fast!

After months of denial, efforts to contain, and more recently the widespread (and largely followed) directive to maximize social distancing, it appears that some progress is being made to slow the devastation caused by the coronavirus. The availability of tests has increased, the rate of new infection has slowed, and, so far, hospitals have had sufficient resources to handle those who are affected as well as those who need care for other reasons.

The price being paid for this progress has been high and will remain so for an extended period. Since most nonessential businesses and activities have been closed or suspended, many parts of the country, especially the larger cities, look like scenes from ***On The Beach***, a 1959 film in which nuclear fallout wiped out much of humanity. The good news now is that as damaging as this disease has been, much of humanity is and will be alive and well once the all-clear is signaled.

When that will happen is another story. As things stand, most public and private facilities will be closed for at least another month or two. That includes schools, whose best hope now is that they will able to open for the fall semester. Indeed, it might well be optimistic to expect that some evidence of normalcy could become apparent by mid-summer or early fall.

To get a better perspective, it would be helpful to look at a study by Earnest Research of the changes in consumer spending, as measured by the recent credit and debit card transactions of almost six million consumers.

In that study, the largest gains were registered by groceries, delivery services, and online data consumption, i.e., music and video streaming, etc. The greatest demand was for toilet paper, paper towels, flour, and soap. Baking seems to have become the new national pastime.

So it will come as no surprise that the biggest losers were travel, luxury shopping, transportation, restaurants, and entertainment. Spending for health-related concerns was also lower, but that shortfall came from gyms, beauty products, and personal care.

Although warmer weather will soon be with us, as will be the seasonal desire to spend more time outdoors, the reality is that relaxation of efforts to continue social distancing will almost certainly bring with it a reacceleration of the pace of new infections. Short of that tool, it will be hard to keep the genie in the bottle.

Currently, the economy is in an induced coma. For businesses, especially those running on tight budgets, these have been trying times, but without this effort, the number of lives lost would be far greater. Better to wait until we have reasonable assurance that a reboot won't come at an exorbitant cost.

With all this understood, one can only marvel at the optimism shown by investors. Yes, Wall Street does look ahead and there will be a time when we will look back and remember how hard it was to meet the challenge. But in the absence of more substantial evidence of how and when this situation will play out, one has to wonder about the recent bounce back in stock market prices.

Without doubt, the extraordinarily rapid plunge from February into March took many stock prices down far below what most reasonable folks would consider well-justified levels. Those who took advantage of Wall Street's sale will probably be well rewarded. Even so, there's a marked difference between a recovery to reasonable levels and what professionals call a V-shaped rebound.

What we've seen over the past few weeks smacks of the latter. As much as we would like to believe that the end is in sight, it is not. With the exception of those who have already been sick and recovered, we are still largely confined to our homes. By remaining in close quarters, we will give researchers time to develop the necessary treatments and vaccines. By not doing so, we will tip the balance in the wrong direction.

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