

Wall Street takes Trump's COVID news in stride as investors assess impact on election, economy

By Larry Edelman Globe Columnist, Updated October 2, 2020



A person walked past the New York Stock Exchange building in Manhattan on Friday. JOHN TAGGART/NYT

Investors hate uncertainty, but this is ridiculous.

After a week of unsettling developments on the pandemic, political, and economic fronts, Wall Street learned early Friday morning that President Trump and the first lady have tested positive for COVID-19.

Yet the stock market seems to be taking the Trump news in stride, posting only a small loss as of midday Friday. Investors are hoping that the unease created by Trump's illness and Friday's weak jobs report will spur Congress to pass another financial rescue package.

“At this point there is no indication that Trump's positive COVID status will have a long-term effect on the economy, which ultimately drives the market,” said Jill Fopiano, chief

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executive of O'Brien Wealth Partners in Boston. "Of course this situation is rapidly changing, and we could be in for some short-term volatility until the situation stabilizes."

Around 12:30 p.m. the Dow Jones industrial average was little changed, after falling as much as 1.6 percent earlier. The Nasdaq, filled with more volatile tech stocks, fell 1.6 percent.

Here's a quick look at the mind-bending issues confronting investors.

The election

Investors were already expecting the outcome of the November presidential vote to be chaotic, with delayed results and claims of fraud by the president if he appeared to be losing. That helped drive the Standard & Poor's 500 index down nearly 4 percent last month, after five straight months of gains that more than recouped the big drop in February and March caused by the coronavirus outbreak and shutdown of big parts of the economy. Generally speaking, investors see a Trump win as better for stocks.

The VIX index, which uses options prices to track expectations for market volatility, has been indicating that the final results of the showdown between Trump and former vice president Joe Biden wouldn't be known until mid-December, according to Fopiano at O'Brien Wealth Partners.

How soon Trump can get back on the campaign isn't clear. The president called off all public appearances, but is able to rest and work in the White House residence, people familiar with the matter told Bloomberg. His symptoms so far have been mild.

Also unclear is the impact if Trump can't campaign for weeks or for the rest of the campaign. Will there be calls to postpone the Nov. 3 vote? Could Vice President Mike Pence end up as the president?

"There is no precedent in place if the incumbent nominee were to become incapacitated prior to the election," Lindsey Bell, chief investment strategist at Ally Invest, said in a note to investors. "Given the lack of clarity on the procedures to move forward, market volatility is likely to persist, if not increase, as the situation unfolds over the next several weeks."

The economy

After an initial surge in May and June, the economy is showing signs of slowing down again. On Friday, the Labor Department said employers added 661,000 jobs in September, the third month in a row of diminishing gains and well below analysts' forecasts. The jobless rate fell to 7.9 percent from 8.4 percent.

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Temporary layoffs declined last month, but the number of workers without a job for 27 weeks or more rose by 781,000 to 2.4 million. The labor force shrank as people stopped looking for work.

The September report didn't capture several recent big layoff announcements. Disney plans to cut 28,000 jobs, and American Airlines Group and United Airlines Holdings said they would slash a combined 32,000 positions.

The unemployment news comes as other data, including on consumer spending and manufacturing, show the recovery is continuing but without the same vigor it had during the summer. That has given Democrats and Republicans in Congress some impetus to get a deal done on additional aid for businesses and individuals.

"Stimulus talks are helping blunt the negative impact across markets for now," said Matthew Miskin, co-chief investment strategist at John Hancock Investment Management in Boston.

The pandemic

Trump has long played down the danger of COVID-19. Now that he is one of more than 7.3 million Americans to contract the disease, containment efforts could get a boost just as a second wave of infections is building.

Increased attention to social distancing and mask-wearing would likely save lives, but would slow the economy as employers grow cautious and consumers hang back.

Tony Bedikian, head of global markets at Citizens Bank in Boston, summed up the market landscape like this: "The impact of the coronavirus continues to be felt here and around the world and the president's positive test this week likely adds to the market uncertainty and volatility that will continue until a vaccine is approved and distributed."

Investors hate uncertainty, but they won't be getting a reprieve any time soon.