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Why Wall Street has bounced back and Main Street hasn't

By Larry Edelman and Shirley Leung Globe Staff and Globe Columnist, Updated June 2, 2020, 6:54 p.m.

Quincy resident Heidi Wollerman, who lost her job as a server at a Boston restaurant, picked up food at a pantry run by the South Shore YMCA in Quincy. "There used to be no line," she said. CRAIG F. WALKER/GLOBE STAFF

Main Street is in trouble, and Wall Street doesn't care.

After bottoming out on March 23, US stocks have recouped more than 90 percent of their losses from the coronavirus crash. The Standard & Poor's 500 index is back to the level where it stood last fall, when the economy was solid and there was little indication the good times would end anytime soon.

The rally came as nearly 46 million Americans filed for unemployment pay and millions of small businesses, the mainstay of Main Streets everywhere, were forced to shut down.

Now, just as states are reopening, the worst spasms of urban violence since 1968 have hit at least 140 cities across the country, including Boston, where stores in Downtown Crossing and the Back Bay were looted Sunday night after a day of peaceful protests against police killings of Black Americans.

The reaction on Wall Street? Stocks are up this week.

“The social discontent has been ignored by markets,” said Dec Mullarkey, managing director of investment strategy at SLC Management, the asset management arm of insurer Sun Life Financial, in Wellesley. “They generally conclude that these distressing events are somewhat inevitable in a liberal democracy and remain confident they will get resolved and won’t be long-term dislocating forces.”

This is not unusual. Stocks often rise in the face of bad news, and there has been a ton of it lately. A recent example: When the Labor Department reported that 20.5 million jobs had disappeared in April, the S&P 500 jumped 2 percent.

This unseemly incongruity stems from the fact the investors buy and sell stocks based on where they see corporate earnings, interest rates, and economic growth in the next six months to two years. Today’s news is only important for what it means for the numbers down the road.

But the Wall Street-Main Street divide is also symbolic of the opposing realities that have come to define the United States: That of the wealthy, who are largely inoculated from the twin pandemics of COVID-19 and economic hardship, and the poor and working classes, for whom scratching out a living is only getting harder and more dangerous. The wealth divide is only getting worse, thanks in part to the stock market, whose riches are controlled by a sliver of Americans.

The market's view that corporate earnings will be better sometime down the road is cold comfort to anyone who has to earn a paycheck — and pay bills — in the present, especially in Massachusetts, which has been hit harder than most states by COVID-19 and the impact of social distancing and the closing of nonessential businesses.

Just ask Tatum Stewart, who owns the Craft Beer Cellar on Main Street in Plymouth.

“I hear from all the Wall Street pundits” on CNBC, she said. “ 'Don’t worry, Q3 or Q4 we’re going to make up for it.’ That’s not realistic for Main Street,” said Stewart, whose wine-and-beer store has been allowed to remain open throughout the pandemic but expects revenue to be down as much as 30 percent this year.

Stewart isn’t even stocking her store with souvenir wine glasses this summer because “we don’t expect there to be tourism.”

Surrounded by local restaurants and shops, Stewart senses the recovery will be long and painful.

But the rally in the stock market suggests many investors are betting on a quick recovery. Jurrien Timmer, director of global macro at Fidelity Investments in Boston, said market indicators such as price-earnings ratios reflect that optimism.

“The market usually bottoms three to four months before the recession ends,” Timmer said. “The question is: Is it pricing in too much recovery, too soon.”

A few doors down from Stewart’s store, the Speedwell Tavern is down to a few days a week of takeout. Before the shutdown, the 70-seat pub was open every day from 11:30 a.m. to 1 a.m.

A place like the Speedwell makes its money off beer and wine sales rather than food, and that’s more likely to happen if you’re sitting at the bar with friends. Speedwell managing partner Jordan Chabot expects fear about catching the virus will continue to keep customers away, and the restaurant will likely finish the year with business down at least 50 percent.

“I want this place to feel like a restaurant again,” said Chabot. “I don’t see that happening for another two years.”

Analysts point to a laundry list of reasons why the market, after losing a third of its value, has climbed most of the way back: The Fed and Congress quickly stepped in with trillions of dollars in rescue funds, including expanded unemployment benefits for individuals, and grants and loans for businesses. China, Italy, and other countries showed it is possible to contain the pandemic and reopen, and to do so — so far, it seems — without a resurgence of infections. And the industries that suffered the biggest job losses — travel, transportation, entertainment, retail, and dining — account for just 7 percent of the profits reported by companies in the S&P 500 index. Big profit-generating sectors, including tech and health care, have fared much better.

“The economic numbers are undeniably grim, but there are big differences between the US economy and the stock market,” said Dan Kern, chief investment officer at TFC Financial Management in Boston.

For John Spooner, a longtime money manager in Boston, the market recovered for a simple reason: Investors had sold in a panic when experts were predicting that more than 200,000 people — and perhaps as many as 1.7 million — could die from COVID-19. The US death toll is about 105,600.

“The snapback is right because we got to such desperation prices,” Spooner said.

No one needs to explain to Amy Naples, executive director of the Plymouth Area Chamber of Commerce, why Wall Street is happy. She attributes the run-up to publicly traded companies such as Amazon, Target, and Home Depot that have been allowed to remain open during the shutdown — and see their revenues soar.

“They are a monopoly right now,” said Naples, whose chamber is made up of 750 members, many of them small businesses shut down by Governor Charlie Baker’s order.

“I don’t think it has been fair.”

For those keeping score, Amazon’s stock is up 34 percent this year, compared with a 5 percent decline by the S&P 500. Home Depot has added 16 percent, although Target is down 7 percent.

Far from the trading floors, a steady line forms outside food pantries such as the one run by the South Shore YMCA in Quincy. The pantry serves more than 900 people a week, more than triple the number before the pandemic struck.

Heidi Wollerman, 32, lost her job as a server at a Boston restaurant and her boyfriend lost his position at a Boston hotel. Wollerman, who has three children, has been coming to the pantry since early April.

“There used to be no line,” Wollerman said, as she picked up groceries that often include cereal, canned goods, milk, and fresh fruit and vegetables.

With restrictions placed on restaurants, Wollerman is not sure when she will be called back to work.

“I’ve been in contact,” she said.

More than 135,000 workers in the Massachusetts hotel and restaurant sector have sought unemployment pay since mid-March, according to state data. That represents 42 percent of the sector’s pre-pandemic workforce.

The South Shore Y has also been upended, shutting fitness centers, canceling programming, and furloughing or laying off most of its 1,100 employees. For now, the Y is focused on its food pantry, as well as delivering meals to seniors and setting up an emergency homeless shelter and two emergency child-care centers.

Other than fund-raising, the Y has little revenue coming in, and that might be its new normal. As other YMCAs have reopened across the country, they’ve found that only 20 percent of members are returning.

"Our new plan is to lose the least amount of money per month," said South Shore Y CEO Paul Gorman, who expects that it will take 18 months before membership returns to normal.

A large minority of Americans don't own a single share of stock — 45 percent, according to a Gallup survey in 2019, down from 63 percent in 2004 — so the jobless rate is far more important to them than what the Dow Jones average is doing. That number is expected to approach 20 percent when the Labor Department releases its May jobs report Friday.

"The pandemic is falling on those least able to bear its burdens. It is a great increaser of inequality," Jerome Powell, chairman of the Federal Reserve, said during a video interview last week.

For the investor class, the concern isn't how to make rent, but how to best insulate a portfolio against the uncertainties of the coronavirus era.

At O'Brien Wealth Partners in Boston, just one client has asked to cash out of the market, according to chief executive Jill Fopiano.

"Most of our clients have a stock and bond allocation that has enough of a buffer in bonds if they need income," she said. "Our clients don't feel great about the world right now. But they have a plan and they are sticking with it."

Wall Street is back from the abyss. Main Street is still teetering on the edge.

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