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The CARES Act—How it Affects the Market and your Portfolio

The Coronavirus Aid, Relief, and Economic Security (CARES) Act injected over $2 trillion into the American economy in the wake of widespread shutdowns and unemployment, consequences of hasty attempts to stop the spread of COVID-19.

The immediate reaction in the markets could best be described as a sigh of relief. Having plunged to a low of just over 1,700, the S&P 500 recovered 6 points the day after President Trump signed the CARES Act into law, and the value of that index has climbed ever since.

Markets react with volatility in times of uncertainty—like the uncertainty of a global pandemic, mass closures of businesses, the possibility of shortages and supply-chain breakdowns.

The CARES Act didn't cure the virus, but it did tamp down some of the uncertainty—uncertainty about the government's willingness to invest in relief and recovery, uncertainty that citizens and businesses would face mass bankruptcies, etc.

The restoration of confidence has, to date, helped many diversified portfolios recoup most, if not all, losses of value they may have incurred in the early days of the pandemic.