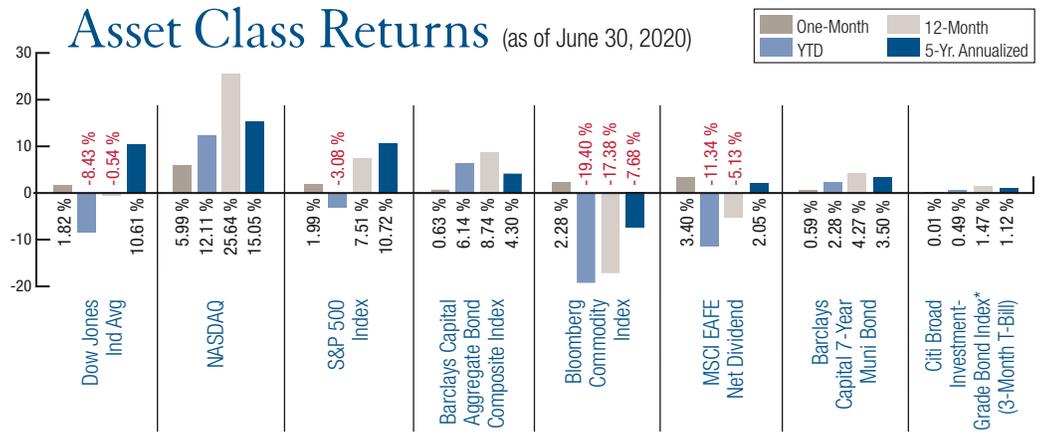


From the Office of Jeff Sgroi, CFP®



“Always do more than is required of you.”  
— General George Patton

### Asset Class Returns (as of June 30, 2020)



Material prepared by Raymond James for use by its Financial Advisors

## Market & Economic Synopsis

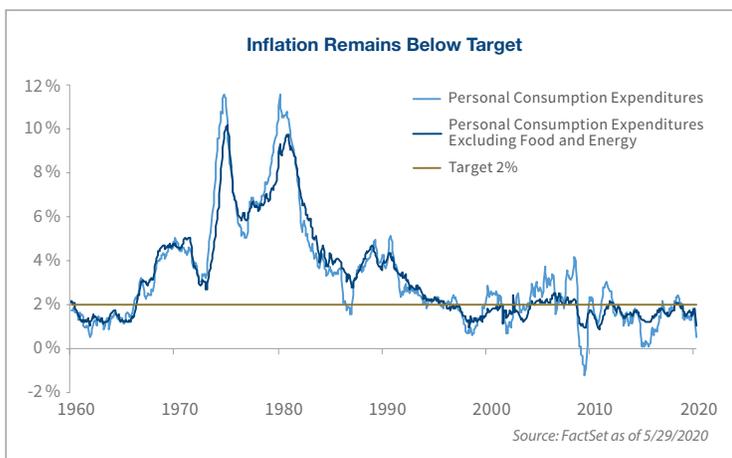
- Oil prices have continued to rebound from lows reached in late April, averaging around \$40/bbl, but still off of recent highs of \$60/bbl.
- Civil and social unrest continues to flare in the United States, primarily in larger metropolitan areas, as federal authorities contemplate more forceful actions.
- Gold nears \$1,900/oz as monetary supply increases and inflation fears stoke investor interest.
- COVID-19 cases surpass 4 million in the United States and 16 million worldwide as pharmaceutical companies work feverishly toward a vaccine or therapeutic solution.
- China retaliates to forced closure of Houston embassy by ordering the U.S. to close its consulate in Chengdu.
- Work-from-home platforms continue to gather momentum as many employers hesitate to bring employees back to commercial buildings, and technology evolves to accommodate new realities of economy.
- \$3T economic package being contemplated by Washington lawmakers.
- Brick-and-mortar retail continues to suffer as Ascena Retail Group, the parent company of Ann Taylor, Lane Bryant, and other chains, files for bankruptcy.

## Key Takeaways in the Markets

As abruptly as the equity markets sold off in Q1 2020, we saw a rebound in Q2 2020 that was nearly as sensational. Fixed-income markets and interest rates experienced similar volatility the first half of the year. Below are some interesting facts and topics on the market and economy.

### Inflation Remains Below Target

As the chart below illustrates, inflation remains very low.

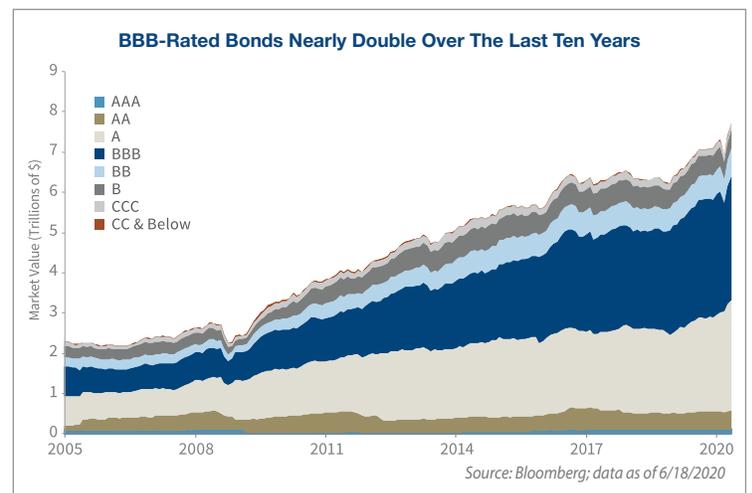


As Raymond James’ Chief Economist Scott Brown points out, inflation is a monetary phenomenon driven by inflation expectations and pressures in resource markets — capital, labor, and raw materials. Some investors fear that the Fed’s recent efforts (i.e., expansion of the monetary supply) will fuel higher inflation. Yet inflation is expected to remain muted due to high unemployment numbers and a lack of

demand for goods and services. A consistent, relatively low inflation figure should be a reassuring economic metric to investors with exposure to both equity and fixed income.

### Fed Intervention Has Stabilized Fixed-Income Markets

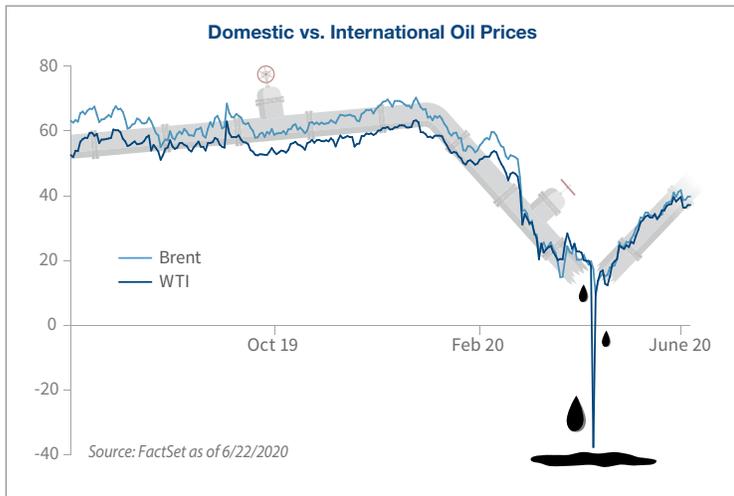
Immediately after the financial crisis of 2008, the Federal Reserve was widely criticized for bailing out “bad actors” (i.e. large banks). More recently, Fed intervention has been widely applauded for bringing stability, and better-price discovery, to the fixed-income markets. James Camp, Managing Director within Eagle Asset Management, notes that the corporate bond market, overwhelmed by fund flows and complacency 11 years into the expansion, was not fulfilling its role as an arbiter of quality and risk pricing. This was evident in the BBB-rated bond market, more so than elsewhere.



Camp notes that contrary to the perceived “bailouts” of yesteryear, the pandemic and monetary response in many cases simply offers a “stay of execution”. Specific sectors of the economy, such as energy and travel/leisure, have simply been given the opportunity to maintain operations longer than expected, given the recent forced economic shutdown.

**Oil Prices Set for Recovery into 2021 and Beyond**

West Texas Intermediate (WTI) oil prices dropped to negative values in April 2020, which Pavel Molchanov, Director and Energy Analyst at Raymond James, claims was a bottom. Although the United States economy has been slow to reopen, we are likely to see prices drift higher over the next couple of years. A few reasons, as Mr. Molchanov explains, are that the worst of COVID-19’s demand impact is in the rearview mirror, having peaked in April at upwards of 20 million barrels per day (bpd). Additionally, the production cuts being implemented by OPEC and Russia are also helping to bring the global supply/demand situation into balance. These cuts took effect in May, and the plan is to continue, at gradually decreasing levels, into 2022. As noted in the chart below, the recent trend does support an upward price movement.



As the financial markets continue to navigate unprecedented times, we will continue to keep you apprised of our expectations and recommendations.

**From the Homefront**

Like many across the United States, the health of our family and friends has been the utmost priority this year. With that being said, like many of you, we have been craving activity and fun outlets. Because both business and personal travel have been all but shut down since February, we have looked closer to home for entertainment. Lily and Hannah have been pleading to ride dirt bikes for the past couple of

years. And because we have a local track, along with a yard that can handle a beginner’s loop, we couldn’t resist getting them involved.



It started with lessons (to vet interest).



Followed by a Yamaha 50cc bike.



And of course all of the safety gear.



And the reward — our local track in Snowmass (note two riders on ridge).

We hope you have found a healthy, fun outlet the past few months.

Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is a diversified index measuring approximately 6,000 investment grade, fixed-rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the U.S. & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets.

There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

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