RAYMOND JAMES

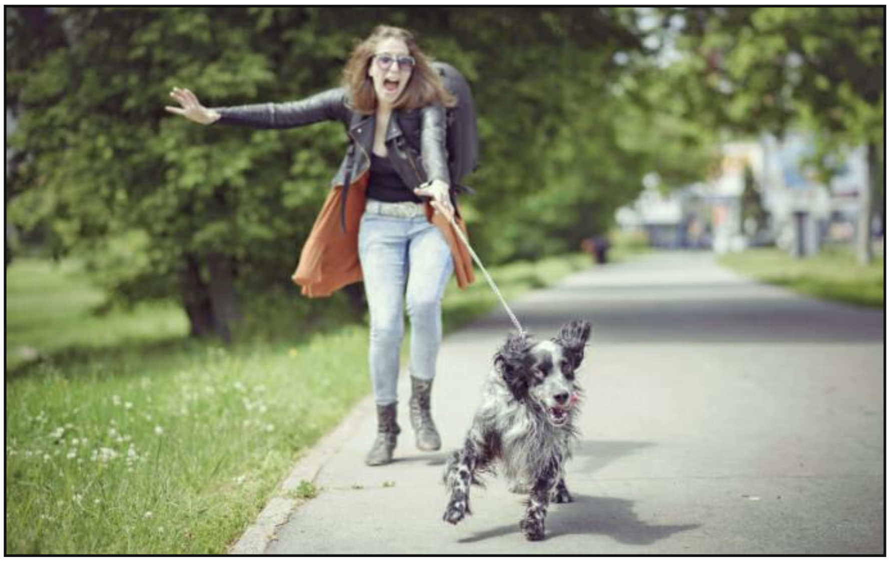
JADESPEAK

JUNE 2020

Market Rallies in Uneasy Times?

Economy vs. Market:

Generally headed in the same direction, but each has a unique way of getting there.



By TIMOTHY A. PHILLIPS
Financial Advisor, RJFS

March 23rd of this year was the day the Dow Jones Industrial Average hit its year-to-date low of 18,591. Even considering the nearly 7 percent selloff on June 11, the market has rallied around 18 percent from the low.

Though everyone is happy about the market's rebound, it has left some people scratching their heads. The U.S. recently surpassed 2 million confirmed cases of coronavirus. And the terrible event that happened in Minneapolis, the death of George Floyd, led to peaceful protests in many places, but rioting and looting in others. Needless to say, as I talk to many people, these last few months have been uneasy times.

So exactly how can the market be performing the way it has during this period? I hope to be able to shed some light by discussing the difference between the markets and our economy.

My favorite analogy comes from a CNBC contributor Josh Brown, who compares the difference like taking a dog for a walk. When walking a dog, the human's gait is straightforward… a little like a trend… while the dog's is sporadic. Think about it: The dog barks, darts left then maybe right, and maybe even chases after a squirrel.

The dog is the stock market, and the person walking the dog is the economy. Both of them end up in the same place, and they are both sort of walking in the same direction most of the time. However, the human has a lot less variance than the dog.

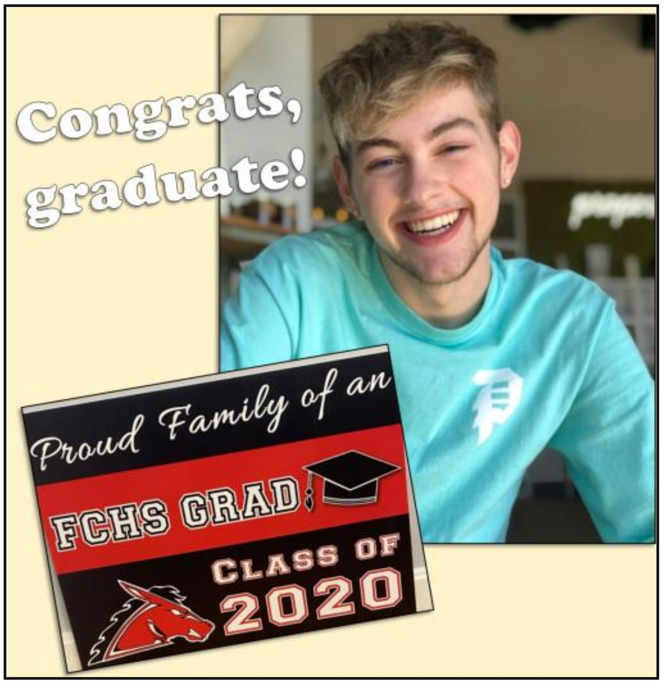
The market is a forward-looking mechanism. How far forward is debated, but general consensus lands somewhere around six months.

CONTINUED ON BACK

Isaiah Phillips, son of Financial Advisor Tim Phillips, is a 2020 graduate of Fairfield Community High School.

Isaiah will be attending the University of Southern Indiana, where he plans to major in business management. He will also be interning with us here at Jade.

So congratulations and welcome, Isaiah!



Market

FROM FRONT PAGE

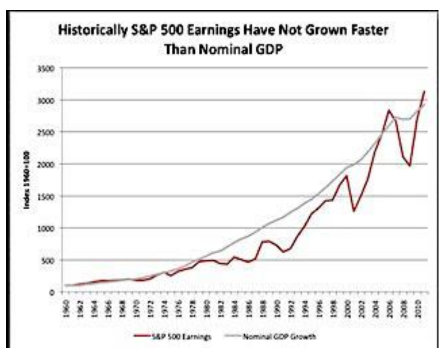
This tells us that the market feels this fall and winter things are expected to be better than they are currently on a variety of measures including coronavirus, unemployment and companies' profits.

The biggest ingredient in market index pricing is expectation. What if the market's expectations are wrong and some of the measures aren't better in six months?

When that happens, you have days like June 11 in the market. On that day, the market realized its expectation the country would re-open smoothly were possibly wrong, since reports emerged of recent spikes in COVID-19 cases and hospitalizations in a growing number of states.

The gray line: The economy (human)

The red line: The market (dog)



Source: Avondale Asset Management

This is why the market is like the dog being taken for a walk.

Independence Day facts:

Congress made Independence Day an official unpaid holiday for federal employees in 1870. It was changed to a paid federal holiday in 1938.

Fifty-nine places in the U.S. contain the word "liberty" in their name. Pennsylvania, with 11, has more of them than any other state.

Benjamin Franklin proposed the turkey as the national bird, but he was overruled. Hence, the bald eagle.

Jade Investments & Retirement Solutions

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