SOUNDSIDE
WEALTH ADVISORS

Soundings

What's New – June 2020

Quote of the month:

"All the adversity I've had in my life, all my troubles and obstacles, have strengthened me. You may not realize it when it happens, but a kick in the teeth may be the best thing in the world for you." Walt Disney

Now there's a statement 4 out of 5 dentists would probably get behind. Life's a whole lot more pleasant when things are going our way. But we all get better when we bravely face down an issue, solve a problem, force ourselves to confront adversity. Whether it's something big and life-changing that takes time, effort, and planning, or just removing the pebble from our running shoe. We're all prisoners of Newton's first law of motion. Sometimes we just need to force a little misdirection.

The markets kept their "Mojo" last month with the each of the 3 major U.S. stock indices adding more than 4% on expectations of an economic rebound later this year and into early 2021. I don't have to tell you that risks remain in the foreground. While RJ Chief Investment Officer Larry Adam expects stocks to be higher over the next 12 – 24 months, near-term risks include rising geopolitical tensions with China as well as potential setbacks related to COVID-19. After the pandemic, the U.S. will need to get the federal budget on a more sustainable path, but the current elevated level of borrowing need not have an adverse impact on longer-term growth. The greater risk for the economy is ending support too soon, says RJ Chief Economist Scott Brown.

In this month's *Market & Economic Commentary*, I've placed a piece from First Trust Advisors Chief Economist, Brian Wesbury. Titled "More Green Shoots", he suggests they economy may have bottomed in May. It's not all rainbows and unicorns but he makes a cogent argument for cautious optimism. Wesbury, an economist, does a great job producing interesting and readable material for "the rest of us." I encourage you to check it out. First, the numbers…

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Market Update – Year to Date Returns

Major Indexes	(As of 06/01/20)*
Dow Jones Industrials	-11.1%
S&P 500 Index	-5.8%
NASDAQ	5.8%
DJ Global ex US	-15.4%
Russell 2000 (small cap index)	-16.4%
Barclays Capital Aggregate Index (Bonds)	4.7%
XAU (gold/silver)	12.3%

*** Source: The Wall Street Journal**

D.A.L.I. Signals - 06/01/2020

D.A.L.I. Page

Cash	Fixed Income	Dom. Equities	Currency	Commod	Int'l Equities
256 23.6% (-3)	**251** 23.2% (-7)	**196** 18.1% (+6)	**182** 16.8% (-4)	**108** 10.0% (-4)	91 8.4% (+9)

Source: Nasdaq Dorsey Wright

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Barclays Capital Aggregate Index measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's, or Fitch Investors Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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Market & Economic Commentary

A full recovery from the COVID-19/Shutdown Crisis is going to take a long time. We don't anticipate reaching a new peak for real GDP until the end of 2021; we don't anticipate a 4% unemployment rate until 2024.

However, there is a growing amount of evidence that the economy may have hit bottom in May. It's important to be cautious; the evidence for having hit bottom already is not definitive or bulletproof. And, given the steepness of the economy's decline versus how fast it will recover, production in June may still be lower than in May even if we've already hit the inflection point.

But the most important piece of economic news last week was that regular continuing unemployment claims declined 3.86 million to 21.05 million, the first drop since the end of February. That's still an astronomically high number compared to historical norms: the peak in the aftermath of the 2008-09 Financial Crisis was 6.64 million. But, as we pointed out last week, recession typically end sometime between the peak of initial claims (late March) and the peak in continuing claims (possibly mid-May), so the deepest recession since the Great Depression looks increasingly likely to be the shortest, as well.

The news often reports the total number of people who have filed new claims for unemployment benefits, and the total is more than 40 million people in the past ten weeks. But it's not true that we have that many unemployed. Some claims are fraudulent, and some people have been called backed to work. It's also true that the CARES Act widened the eligibility for benefits, making them available to some business owners, self-employed workers, independent contractors, and others. Including all these categories of unemployment benefits, the total number receiving benefits is closer to 30 million from the start of the crisis, not the oft reported 40.

One problem that will impede the pace of the recovery is the unusual generosity of unemployment benefits. A recent paper from the University of Chicago shows that 68% of workers who are eligible for unemployment checks are getting benefits that exceed their lost earnings, and that half of those getting benefits are receiving at least 34% more than their lost earnings.

Despite these hurdles, green shoots continue. TSA says 268,867 passengers went through security on Saturday, up 39% from two weeks ago and up 187% from the worst Saturday, which was April 11. Motor vehicle gas supplied is up 24% from a month ago. Yes, these numbers are still down substantially from a year ago, but a recovery has to start somewhere.

And whatever your thoughts on the recent social upheaval – ranging from legitimate and peaceful protests by law-abiding citizens, to looting by criminals and riots instigated by junior wannabe-Bolsheviks – it's going to be hard in the weeks ahead for governments to enforce stricter lockdowns than people are willing to voluntarily observe. In turn, that could foster the further growth of the green shoots we've seen already.

Brian S. Wesbury, Chief Economist, First Trust Advisors LP, "More Green Shoots", First Trust Monday Morning Outlook, June 1, 2020

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On a Personal Note

Social distancing may have halted our weekly Rotary meetings, but it was not going to keep us from a little "*Do-Goodery*". The hospitality industry is a huge presence in our little town. No-one was more affected financially by the shutdown. After getting a nice commitment from Firehouse Subs, we decided to set up a table outdoors, at a green area in a local shopping center, and pass out box lunches to anyone in the industry who stopped by between 11:00 am and 1:00 pm, or, until we ran out. We put the word out to the local restaurants and hotels and hoped for a nice crowd. The weather turned out to be perfect and the stage was set. Only one problem. No-one was showing up. With an hour in and only 3 meals passed out, we decided to broaden our scope. We shifted into the "Random Acts of Kindness" business, split up and delivered our stash to anyone and everyone, just because. Collin and I had a blast. We walked into a Check Cashing place and brightened the day of the two workers and an emotional couple in obvious need of a pick-me-up. Great stuff. In the parking lot of Regions bank, a pair of highly skeptical, tattooed, middle-aged men, received our gift and gave us a, "*God Bless*", as we left to continue our mission. We ended up at a veterinarian's office, on lock-down but seeing furry patients on a pick-up and drop-off in the parking lot basis. Collin and I, on an adrenalin-high and unknowing of their careful protocol, barged into the office with a dozen meals. They were very appreciative, but went into full- on "*Outbreak*" mode as we drove away. Two hundred meals later, we finished the rest of the day with a joyful heart, and, as is usually always the case, we'd received far more than we'd given out.

<u>Now from Collin</u>. As a borderline vagabond, I love a good road-trip. For the past year, I've found a special solace in the mountains. When I saw North Carolina was to begin phase-one of its reopening plan, I decided to hit the road for a hiking weekend with some friends. I'm a big planner and took extra time for this trip since I had others counting on me. We departed Thursday morning for Franklin, North Carolina. Of course, I planned for rain, it's the mountains in the Spring-time. Unfortunately for us, I didn't anticipate *Forrest Gump-in-Vietnam rain*! Now I am usually optimistic to the point of annoyance, and my famous lines of the weekend were, "I think it's clearing up!", or "The sun will be out in an hour!" However, that first morning, no amount of optimism could change the weather, or the sentiment between me and the friends I had dragged along. I was faced with two choices: let the day turn our moods as dark as the storm clouds, or take action and make the most of the situation at hand. I opted for the latter, made a call, (Thanks to Beverly from The Highlands Chamber of Commerce!) and an hour later we were swimming underneath a beautiful waterfall, not fazed by the rain that moments ago had threatened to steal the thunder of our trip. The next day, we woke to the same situation: rain, rain, and more rain. Again, faced with a change in circumstances, I adjusted the plan. The forecast called for great weather a few hours north of where we were. We packed up and hit the road. Wouldn't you know it, when we arrived at Table Rock Mountain and hiked to its peak, we were greeted with a parting of the clouds, a spectacular view of the valley beneath us and the glorious rays of sunshine above.

During the 12-hour drive home, I thought back on the highlights of our weekend. I thought about what would have happened had I let the curveballs that were thrown our way decide our fate. Sticking with my original plan, so meticulously cobbled over the past few weeks, would have been a train-wreck due to factors out of my control. However, making the decision to adapt and work with the cards we had been dealt made for an amazing time with some memories I won't soon forget. It was a life lesson for sure.

<u>Me again</u>. Damn, kid. Way to Improvise, Adapt, and Overcome. My Gunny Sergeant would be proud…me too.

Warmest regards,

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