

## *Thoughts from the Holy City – July 2020*

*“Americans don't settle. We build, we aspire, we listen to that voice inside that says, “We can do better.” A better job; a better life for our kids; a bigger, better country.”*

- Mitt Romney

*As the first half of 2020 concludes, it will be written in history as one of the most trying times in our country's history. On the eve of 2020, one could most likely not of imagined the first half the year consisting of a presidential impeachment, a global pandemic, 40 million job losses, thousands of business closures, negative oil prices, and civil unrest and protesting, yet that is exactly where we stand. It has undoubtedly been a trying and surreal environment, but we have managed to persevere the best we can. Individuals, the markets and economy have been shaken but have proven to be more resilient than one would of thought.*

*June concluded with the markets only slightly above their close in May. The markets continued their climb higher through the middle of June as economic data improved and lockdown measures eased, but a sharp increase in COVID-19 (Cv.) cases put pressure on the markets in the back half of June. As of the end of June, year to date the DJIA remains down -9.55%, the S&P 500 -4.04%, while the NASDAQ is positive 12.11% for the year driven by the technology sector, which has been a benefactor of the lockdown measures. Meanwhile, the fixed income markets, as measured by the Barclay Aggregate Bond Index, are positive 6.14% for the year as interest rates have fallen further due to economic circumstances and investors moving out of equities into cash and fixed income.*

*The efforts to contain Cv. have had a major impact on the economy and there is still a lot of uncertainty in the outlook, albeit more optimistic than in March of this year. Congress and The Fed have taken unprecedented steps to mitigate the implications from the mandatory lockdowns and Coronavirus. The Fed's actions have improved credit market functionality and provided liquidity to the markets in order to reduce the downside risk to the economy. Congress has also taken steps by passing the CARES Act which has provided record amounts of direct relief to individuals as well as access to capital through the Paycheck Protection Program. There will most likely be additional stimulus to help support the recovery in the coming months.*

*As cases of Cv. surpass 3 million, the race for a vaccine continues along with increased strain on the healthcare system. It took 95 days for cases to surpass 1 million, 43 days to surpass 2 million, and 28 days to surpass 3 million total cases. This is not surprising given that lockdown measures have eased, and businesses and restaurants have reopened. The world is currently combatting the greatest pandemic in a century and the worst economic contraction in 80+ years. However, the stock market has been able to compose a record advance and return to the near all time highs. How could this be the case, one may ask?*

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*Investors have given great trust that the Fed and Treasury are able to bring about an economic recovery. There has been great optimism by the steps taken to support the economy by the shutdown, reopen, and putting people back to work. The Fed and Treasury have demonstrated that they are willing to do whatever it takes in order to keep the economy and markets afloat. Everyone has concluded that “things are heading in the right direction,” and that coupled with the fear of missing out has contributed to the speed and veracity of the record advance since the March lows.*

*Looking ahead, the outlook remains unclear. While there are numerous reasons as to why the markets and economy have arguably found their footing as illustrated above, we must also weigh the negatives. 2020 is an election year and there could very well be a change of party in the presidential office, as well as Congress. Depending on which party ultimately prevails will dictate the direction of fiscal policy, and ultimately, the economy and markets. There is the possibility that we won't have a vaccine as soon as we hoped, that the economic recovery will be harmed by small businesses never reopening, and millions of job losses turning out to be permanent.*

*I don't mean to be vague, but I feel that we are at a crossroads as to which way the economy and markets can go from here. Thus, a cautious approach to investing is warranted and sticking to your plan are of the utmost importance. I am an optimist and believe that the United States and its people are incredibly resilient. We have persevered through wars, financial crises, pandemics, etc. throughout the course of history. As Mitt Romney stated, “Americans don't settle. We build, we aspire, we listen to that voice inside that says, “We can do better.” A better job; a better life for our kids; a bigger, better country.” With that, we can persevere.*

*Be Well.*

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*The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. These international securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. An investment cannot be made in these indexes. It is not possible to invest directly in an index. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.*

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