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A Historic First Half of 2020

We hope that this letter finds you safe and healthy during these unprecedented times.

Markets staged a historic rebound in the second quarter driven by an initial peak in the growth of coronavirus infections in April; economic reopenings across the United States and the rest of the world, hopes for a COVID-19 vaccine, and continued stimulus from global central banks, including the Federal Reserve. The end of the first quarter marked the lows for markets so far in 2020 as new coronavirus cases in the U.S. began to peak in mid-April thanks to the historic economic shutdown. That peak and initial decline in new COVID-19 cases throughout April gave investors and markets hope that the economic shutdown would not last into the summer and the S&P 500 rallied materially as a result, gaining over 12% in April.

The rebound continued in May, as the spread of the coronavirus continued to slow, paving the way for economic reopenings in the U.S and abroad. By the end of May, all 50 states had at least partially reopened their economies which led to a stronger-than-expected economic recovery. Meanwhile, markets were supported by continued economic stimulus from both the Federal government, via unemployment checks and "PPP loans" to businesses, and the Federal Reserve, via bond purchases. The S&P 500 rallied more than 4% in May, while the Nasdaq Composite turned positive for 2020—a development that seemed almost impossible during the depths of the March declines.

But the two-plus-month rally was interrupted in mid-June, thanks to a sudden resurgence in coronavirus cases. Numerous states, including Florida, Texas, Arizona and California saw coronavirus cases begin to increase mid-month, and by the last week of June, new daily COVID-19 cases in the U.S. hit an all-time high. As a result, volatility edged higher into the end of June, although the market reaction was muted compared to the volatility in February and March as the increased case count had not put extreme stress on various state healthcare systems.

Looking forward, as we begin a new quarter and the second half of 2020, the macroeconomic outlook has improved substantially since March, and stocks have responded accordingly with a very strong rally off the March lows. But the last two weeks of June were a stern reminder that much uncertainty remains, and during the next several months we will learn whether the coronavirus outbreak will peak, and if the economic recovery we've seen since April can continue. Those factors, along with the increasing influence of politics given the November election, will impact markets in the months ahead.

2nd Quarter Market Performance Review – A Historic Rebound

The major U.S. stock indices all enjoyed a strong rebound and substantial gains in the second quarter, and just like in the first quarter, the tech-heavy Nasdaq notably outperformed the other three major indices. In the most recent quarter, that outperformance was due to large-cap tech companies being viewed as the longer-term beneficiaries from changing work and shopping trends in response to the pandemic, specifically "work from home," cloud computing and online shopping.

By market capitalization, small caps outperformed large caps in the second quarter, and that is what we'd expect given that the market rally of the past three months was partially driven by a sooner-than-expected economic rebound, as small caps are historically more sensitive to changes in economic growth compared to large caps. From an investment style standpoint, growth substantially outperformed value, yet again, because of strength in large-cap tech.

On a sector level, performance was the opposite of the first quarter, as all 11 S&P 500 sectors finished the second quarter with positive returns. Traditionally defensive sectors, those that are less sensitive to changes in economic activity such as utilities, consumer staples, and healthcare, relatively underperformed after outperforming in the first quarter, and again that's historically typical when stock market gains are driven by expectations for improving economic growth.

Cyclical sectors, those that are more sensitive to changes in economic activity such as energy, consumer discretionary, and materials, outperformed in the second quarter along with the technology sector. Energy, the worst performing sector in the first quarter, was the best performing sector in the second quarter, thanks to a significant rebound in oil prices and growing expectations for a global economic recovery.

US Equity Indexes	Q2 Return	YTD
S&P 500	18.63%	-3.08%
DJ Industrial Average	16.33%	-8.43%
NASDAQ 100	29.07%	16.89%
S&P MidCap 400	22.59%	-13.01%
Russell 2000	24.87%	-12.98%

Source: YCharts

International markets also rallied in the second quarter as European and Asian economies re-opened, and those regions saw a consistent decline in new COVID 19 cases throughout the quarter. Emerging markets, whose economies are typically more sensitive to changes in expected global growth, modestly outperformed foreign developed markets and the S&P 500 thanks to a declining U.S. dollar paired with rising hope for a global economic rebound, following successful reopenings in Asia and parts of Europe.

Commodities also staged a large rebound in the second quarter as prices were driven higher by firming global growth expectations. Oil was historically volatile in the second quarter, with prices briefly turning negative in late April due to a short-term supply glut. But an extension to the unparalleled OPEC+ agreement to slash oil production, paired with evidence of returning consumer demand for refined products, sent oil sharply higher into the end of the second quarter. Gold, meanwhile, added to the gains of the first quarter thanks to a declining U.S. dollar, recovering inflation expectations and steady bond yields amid the historic global central bank stimulus.

Switching to fixed income markets, the total return for most bond classes was again positive in the second quarter, as bonds joined gold in registering back-to-back positive quarterly returns so far in 2020. The leading benchmark for bonds, the Bloomberg Barclays US Aggregate Bond Index, saw positive returns for the seventh straight quarter.

Longer-duration bonds outperformed those with shorter durations in the second quarter as global central bank commentary stated that rates would stay low for years to come, which anchored shorter duration bonds and in turn, increased the appeal of higher yielding, longer-maturity bonds.

Corporate bonds, in a sharp reversal from the first quarter, saw solidly positive returns in the second quarter thanks to optimism surrounding the economic reopening process combined with the Federal Reserve actively buying corporate bonds in an effort to ensure adequate liquidity. Investment-grade bonds outperformed high yield corporate bonds, due in part to that active buying from the Fed as well as lingering worries about how weaker companies would fare over the longer term as the global economy slowly reopens.

3RD Quarter Market Outlook

What a difference a quarter can make.

We wrote that to you last quarter in response to the historic market volatility, and it's true again three months later.

Markets enjoyed a historic rebound in the second quarter, thanks to an initial peak in coronavirus cases, continued government support and a quicker-than-anticipated economic recovery. Like markets, society also made a substantial rebound in the second quarter, as economies have at least partially reopened in all 50 states, people are starting to return to the office, families are taking summer vacations, and there's even the hope for a return of sports and other cultural staples in the coming weeks and months. Indeed, we have come a long way from those panicked days of late March.

But while we all welcome this progress, **it would be a mistake to think uncertainty and market volatility are behind us.**

The outlook for the spread of the coronavirus is still very unclear, as new cases hit record highs in late June, providing a somber signal that the virus will be with us, in one form or another, for some time to come.

Additionally, the fate of the historic stimulus enacted back in March remains uncertain as of this writing. Paycheck Protection Program loans, which provided critical assistance to small businesses over the past three months, may be no longer available while it remains unclear what will become of the federal unemployment benefits included in the CARES Act, as they are set to expire at the end of July. That federal stimulus played a critical role in the bigger-than-expected economic rebound witnessed in the second quarter, and without it, the economic outlook will become increasingly uncertain.

Regarding the economy, while progress has been better-than-expected, it's important to remember that the current level of economic activity remains far below the levels of a year ago. Despite the gains seen in the second quarter, there remains a long road ahead for the U.S. economy to return to pre-pandemic levels.

Politically, markets have largely ignored the looming presidential election so far this year, but that's likely to change in the coming months, and it's reasonable to assume the outlook for the election will begin to influence not just specific sectors, but also the broad markets during the third quarter.

Finally, while essential to the economic recovery so far in 2020, the historic government stimulus unleashed on the U.S. economy has also resulted in an explosion of debt and surging deficits, and we all know over the longer term, this trajectory is not sustainable and that is something we are mindful of as we craft long-term investment plans.

So, as we start the second half of the year, there's been a lot of progress on the economic and biological fronts, but a lot of uncertainty still remains. However, we can take comfort in the fact that there are still many tailwinds on these markets, including historic support and stimulus not only from the Federal Reserve, but also from every major global central bank. Additionally, global governments are stimulating their economies in ways that haven't been seen since the end of World War II, and the global medical community is united in a historic effort to produce a vaccine for COVID-19.

Bottom line, investors are currently facing a lot of unknowns as we begin the second half of 2020, but there are also powerfully positive forces supporting markets.

We all know that past performance is not indicative of future results, but history has shown that a long-term approach combined with a well-designed and well-executed investment strategy can overcome periods of heightened volatility, market corrections, and even bear markets. And, we've seen that again so far in 2020.

We understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first half of this year is unlikely to alter a diversified approach set up to help you meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a custom, personal allocation target based on your financial position, risk tolerance, and investment timeline.

Finally, we thank you for your ongoing confidence and trust and please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Enclosure #1 – Our first enclosure is the Investment Strategy Quarterly piece from Raymond James. This provides a quick understanding of relevant themes in the investment world. Additionally it provides an economic snapshot as well as a tactical outlook. We like to include this in the Weiss Report as a handy two-page reference – even in moments like this.

Enclosure #2 – Our second enclosure is a discussion on what the shutdown of the economy may mean. Brian Wesbury, from First Trust Advisors, provides a look at some statistical points and weighs in with his thoughts on what the economy may look like after this.

Enclosure #3 – Our last enclosure is a new writing from our team member Lenny Weiss. He provides reasons to be both optimistic and pessimistic on markets and where they may go from here.

*Prices of DJIA and NASDAQ as of 07/07/2018.

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JULY 2020

THEMES

A Strong Initial Rebound, But Then...?

The coronavirus pandemic, and efforts to contain it, led to an unprecedented decline in US economic activity. Equally unprecedented fiscal stimulus played a key role in countering the effects of the pandemic and bringing to an end the shortest recession on record. While this indicates that growth has resumed in the economy, it does not mean that we have fully recovered. In fact, it will likely be several quarters before GDP returns to its pre-pandemic level.

Fed Supports Bond Market; Market Prices Bonds

When the COVID-19 pandemic struck the stock market saw the swiftest drawdown in history, accompanied by dizzying volatility in both the bond and commodities markets. The Fed and Treasury both went to great lengths to ease the financial market damage, but in many cases these measures offered only a 'stay of execution.' The Fed is supporting markets, not individual companies, and while its liquidity measures can help otherwise healthy companies survive, they can't shore up solvency issues.

Oil Prices Set for Recovery into 2021 and Beyond

We believe West Texas Intermediate oil prices reaching negative $30 per barrel marked the bottom of the COVID-19 pandemic's impact on oil demand. Though demand should continue to improve into the second half of 2020 and the production cuts being implemented by OPEC and Russia are helping to bring the level of supply under control, we don't expect to see prices reach their pre-crisis level until 2021 at the earliest.

Fragile Truce on the Brink: Why China Remains a Major 2020 Theme

As the election grows closer we have seen a more unified effort across the government to increase pressure on China, and the elevated rhetoric following questions about China's role in the COVID-19 pandemic limits opportunities to de-escalate the situation. The economic relationship hangs in the balance with the threat of increasing tensions and the risk of the Phase One trade deal collapsing.

Equities Continue to Look Through Uncertainties

Though the equity market is facing many challenges (the spread of coronavirus, an upcoming presidential election, and increasing US/China tensions) we believe the opportunities outweigh the potential risks as we are seeing numerous economic readings move ahead of their expectations. While we do expect to see increased volatility in the months ahead, there are many areas of the market in which we see potential and we would use any pullbacks as opportunities to accumulate favored areas.

For more information, refer to the full Investment Strategy Quarterly.

Economic Snapshot

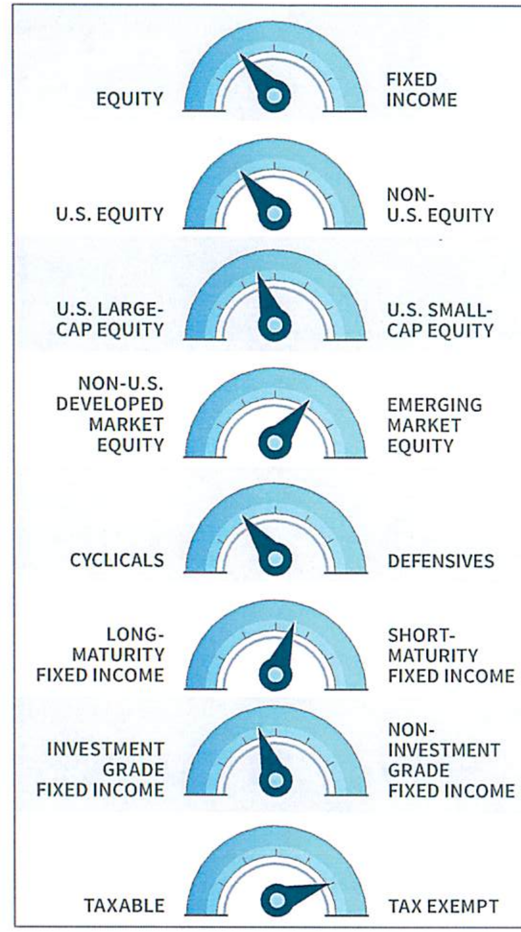
Economic Indicator

FAVORABLE	HOUSING AND CONSTRUCTION
	MONETARY POLICY
NEUTRAL	GROWTH
	EMPLOYMENT
	CONSUMER SPENDING
	MANUFACTURING
	INFLATION
	LONG-TERM INTEREST RATES
	FISCAL POLICY
	THE DOLLAR
	REST OF THE WORLD
UNFAVORABLE	BUSINESS INVESTMENT

From Scott Brown, Ph.D.,
Chief Economist, Raymond James

Tactical Outlook

(3-9 months)



The tactical asset allocation outlook above reflects the Raymond James Investment Strategy Committee's recommendations for current positioning. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JULY 2020

Capital Markets Snapshot

EQUITY	AS OF 6/30/2020*	2Q 2020 RETURN**	12-MONTH RETURN**
DOW JONES INDUSTRIAL AVERAGE	25,812.88	17.77%	-2.96%
S&P 500 INDEX	3,100.29	19.95%	5.39%
NASDAQ COMPOSITE INDEX	10,058.77	30.63%	25.64%
MSCI EAFE INDEX	1,780.58	15.08%	-4.73%
RATES	**AS OF 6/30/2020**	**AS OF 12/31/2019**	**AS OF 6/30/2019**
FED FUNDS TARGET RANGE	0-0.25	1.50-1.75	2.25-2.50
3-MONTH LIBOR	0.30	1.91	2.31
2-YEAR TREASURY	0.17	1.57	2.52
10-YEAR TREASURY	0.69	1.92	2.84
30-YEAR MORTGAGE	3.27	3.86	3.85
PRIME RATE	3.25	4.75	5.50
COMMODITIES	**AS OF 6/30/2020***	**2Q 2020 RETURN****	**12-MONTH RETURN****
GOLD	$1,800.50	12.77%	27.36%
CRUDE OIL	$39.27	91.75%	-32.84%

*Price Level
**Total Return

Sector Snapshot

	SECTOR	S&P WEIGHT
OVERWEIGHT	INFORMATION TECHNOLOGY	26.9%
	HEALTH CARE	14.6%
	COMMUNICATION SERVICES	10.9%
	CONSUMER DISCRETIONARY	10.7%
EQUAL WEIGHT	FINANCIALS	10.5%
	INDUSTRIALS	8.0%
	CONSUMER STAPLES	7.3%
UNDERWEIGHT	UTILITIES	3.0%
	ENERGY	2.9%
	REAL ESTATE	2.8%
	MATERIALS	2.5%

DISCLOSURE:

Data is provided by the Investment Strategy Group. This material is for informational purposes only and should not be used or construed as a recommendation regarding any security. All expressions of opinion reflect the judgment of Raymond James & Associates, Inc. and are subject to change.

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. These risks are greater in emerging markets. Commodities trading is generally considered speculative because of the significant potential for investment loss. Sector investments are companies engaged in business related to a specific sector and are are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. There is no assurance that any of the forecasts mentioned will occur. Asset allocation and diversification do not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate. The value of REITs and their ability to distribute income may be adversely affected by several factors beyond the control of the issuers of the REITs. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Past performance is not indicative of future results. The performance mentioned does not include fees and charges which would reduce an investor's returns. Fixed income securities are subject to interest rate risk. Generally, when interest rates rise, bond prices fall, and vice versa. Specific sector investing can be subject to different and greater risks than more diversified investments. Investing in small-cap and mid-cap stocks generally involves greater risks, and, therefore, might not be appropriate for every investor. High-yield (below investment-grade) bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

ALTERNATIVE INVESTMENTS involve specific risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements. There is no guarantee that any of the alternative strategies listed will be successful or that they will prevent loss.

INDEX DESCRIPTIONS: Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns. Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The returns noted do not include fees and charges which will affect an investor's return.

Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.

First Trust
Monday Morning OUTLOOK

Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – *Dep. Chief Economist*
Strider Elass – *Senior Economist*
Andrew Opdyke, CFA – *Economist*
Bryce Gill – *Economist*

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The Economy and The Virus

Not since the 1960s and 70s has the United States experienced social upheaval like it is experiencing today. We have protests (both peaceful and otherwise), and a massively divided political landscape. On top of that, we have a virus that is spreading across the country, creating fear and an acceptance of economic shutdowns.

Originally, the scientists said we needed 15 days to slow the spread. These same scientists have consistently lengthened the time they believe keeping the economy relatively closed is a good idea. Yet, eventually, as the number of new cases of COVID-19 slowed, people revolted against these constraints and states began to reopen. Now a pick-up in new cases, which many call a "surge," is causing politicians to reverse prior moves to re-open and they are now re-closing bars and restaurants again.

Yet, while these re-closures are happening, ordinary Americans are showing a desire to press for more freedom. On May 31st 352,947 people went through TSA airport security checks. On June 22nd, as reports of a surge in new cases started to appear, TSA counted 607,540 passengers. If these reports of a surge are slowing activity, we can't see it in the TSA data. On July 5th, 732,123 passengers entered airports.

Moreover, gasoline usage, which had been down about 50% from the year before at its worst back in April, is now down just 10%. And Apple mobility data, which reflects requests for directions, bottomed in April, down nearly 60% from the January 13, 2020 benchmark. Since April, the mobility data has rebounded 19%.

In other words, while many seem to think that new cases and some reversals in openings will do the same kind of damage to economic activity that we saw in March and April, it does not appear that way at the moment. This is likely one of the reasons that equity markets are recovering from their "surge-related" drop. Last week, in a holiday shortened four-day trading week, the S&P 500 was up 4%.

Part of this was driven by the second straight month of job gains. The US added 4.8 million jobs in June, and the unemployment rate fell to 11.1%. Over the past two months, manufacturing has recovered 606,000 of its lost jobs, and these are unlikely to be affected much by the closure of bars and restaurants.

Because we put the odds of another nation-wide economic shutdown very low, we expect economic data to continue to improve in the weeks and months ahead. On top of this, the M2 measure of money is up 25% in the past year, one of the fastest YOY rates we have ever seen. With this flood of new money, and an improvement in economic data, equity markets should continue to rise. And contrary to some views, we do not think the equity market is overvalued.

Many on both sides feel as if the world is falling apart, and we are certainly dealing with a series of issues that are causing uncertainty. However, especially after the Fourth of July, it's important to remember history.

In the Civil War, the US lost 620,000 men, 2% of the population, the equivalent of more than 6 million people today. World War I, World War II and the Spanish Flu were devastating. Yet, in every case, the United States continued to prosper.

We are completely aware of this history and the belief of many that this time is different. But we will get back to normal. It may not happen immediately, but it will happen. Competition among states, businesses and everyday people to grow and enjoy life will push everyone to realize that we can't truly stop a virus. Just like 9/11, people will fly again. They already are. They will go to restaurants again, and sporting events and theaters. But it will take time.

Those expecting a complete "V-shaped" recovery for the economy will end up disappointed. These first few months will look like a V, but then things will grow more slowly unless we get a widely distributed vaccine. We may not see 4% or lower unemployment rates again until 2023. Maybe longer. Day-by-day, week-by-week, month-by-month, progress will be made.

We remain hopeful. We have history on our side. And we remain bullish on equities. Companies, like the rest of us, are adapting. They are figuring out how to limit losses - and grow - in this uncertain time. They too will emerge stronger when this storm has passed.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-6 / 9:00 am	ISM Non Mfg Index – Jun	50.0	**49.9**	57.1	45.4
7-8 / 2:00 pm	Consumer Credit– May	-$12.0 Bil	**-$15.0 Bil**		-$68.8 Bil
7-9 / 7:30 am	Initial Claims – July 4	1.350 Mil	**1.310 Mil**		1.427 Mil
7-10 / 7:30 am	PPI – Jun	+0.4%	**+0.5%**		+0.4%
7:30 am	"Core" PPI – Jun	+0.1%	**+0.1%**		-0.1%

The Weiss Report
Volume 23, Number 3
Enclosure #3

On One Hand, Yet On The Other Hand

By: Leonard A. Weiss

It's hard to listen to economists and market theorists much of the time. Everyone is always trying to hedge – "on one hand...yet, on the other hand".

At midyear 2020, I think it's impossible to discuss events and markets in a singular context. There can't be data on a time in modern history where our collective health comes under Blitzkrieg attack, and one of the answers is to essentially turn off the economy. At this point, many different variables need to be discussed to put all of this into the long term investment strategy that we have maintained for many years.

While the Covid-19 pandemic which will change much of our social interaction, probably forever, I want to focus on the effects of the Covid recession. Specifically I'd like to focus on the recovery path for the economy, subsequent recovery of GDP, corporate earnings and stock prices. But, there are potential positives and negatives to discuss, so on one hand, but on the other hand!

Let's begin with the positive. Since we have no historical data on the recovery path from an induced recession, we must be willing to wait for new data and see how it is weighed against consensus expectations and market reactions.

Most economic data released for May and June have exceeded expectations and markets response is mostly positive. Retail sales, employment gains, and new housing have been particularly strong. Some strength comes from people being called back to work, but also the effects of replacing lost income through one time checks and robust unemployment compensation has been a strong positive for consumer spending.

Next, is to look at the level of the stock market at the end of June. At one time in March, Dow Jones 30 Industrials and Standard and Poor's 500 traded at more than 30% down for the year, and now those indices are less down less than 10%. The NASDAQ is actually up for 2020! I consider this a strong message that the recession should not be as deep and devastating as first thought.

The last positive may be the most important. The level of investor pessimism is again at all-time highs. I have long believed that high amounts of pessimism generally lead to further market gains.

Now, let's look at what may derail the recovery and hold markets back.

Markets thrive on the expected growth rate of corporate earnings. Today, we are much more concerned with how much growth rate of earnings may slow or even decline. Should corporate earnings show sluggish growth at year's end and into 2021, markets may need more time to see new highs.

The other potential negative is the national election. Growth policies to create a downwind effect for the economy will be on the ballot. The outcome of the election will have a profound effect on the direction of GDP, corporate earnings and thus the stock market.

In summary, on one hand, the economy and markets have shown resiliency in its rally off the March 23rd low. But on the other hand, several hurdles need to be cleared for the GDP, corporate earnings and the market to regain its position in January 2020.