2020 Second Quarter Summary
Recovery or Second Wave?

Last quarter, we experienced the swiftest decline in history, with a 34% drop in only 23 days on the heels of the COVID-19 shutdown. The saying that time flies is becoming more and more of a reality for me personally, as I age. However, the year 2020 seems as if it is dragging on like a bad version of Bill Murray's 1993 movie *Groundhog Day*. March to June shutdowns, quarantines, masks, travel restrictions, and many working in their pajamas from home have made the second quarter feel like an eternity.

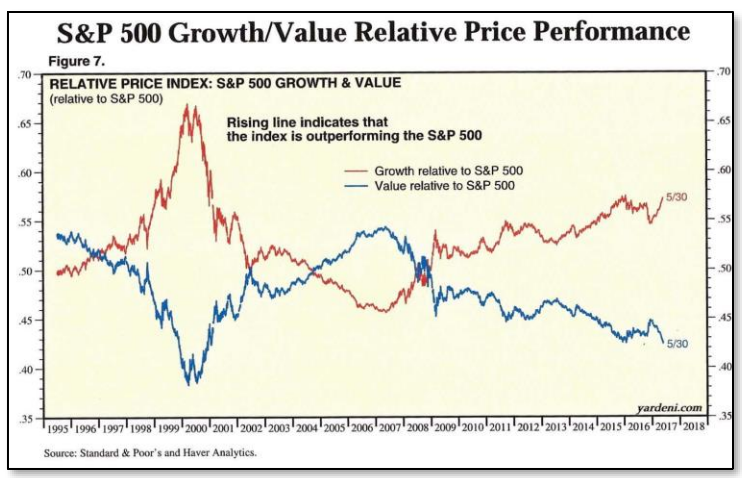
However, many unprecedented events have happened in financial markets. We have seen the U.S. equity market, as measured by the Standard and Poor's 500, rebound by more than 44%, to within 5% of record highs. The Nasdaq, a technology-heavy composite index, has actually surged solidly into record territory as innovative and disruptive leaders, such as Zoom Video Communications, became the solution to our stay-at-home restrictions.

Source: Thomson ONE

One of the drivers of the melt-up was the unseen-before magnitude (trillions) of fiscal stimulus through the Coronavirus Aid, Relief, and Economic Security (CARES) Act that included payroll relief, direct individual payments, and corporate backstops. In addition, the monetary policy of the Federal Reserve has purchased trillions of both private and public debt securities and renewed their near-zero interest rate policy. This combination, paired with pent-up consumer demand, has resulted in a near-term V-shaped stock market recovery, and the beginning of an impressive economic rebound.

The spread between high-quality and high-yield (lower quality) debt expanded to dramatic levels following the crisis. This difference went from 2-3% to more than 10% differential in April. This expansion of the spread created an opportunity in high-yield corporate debt securities.

To be clear, the recovery has not been equally distributed across the entire market. Megacap growth stocks have seen the most incredible rebound, with small cap and value stocks lagging far behind. The chart below depicts the near-historic disparity in performance.



As we begin to see the re-opening of various sectors of our economy, the employment figures have surpassed expectation over the last two months (May and June). Additionally, indicators such as TSA airlines traffic

The Brechnitz Group of Raymond James
101 S. Main St., Suite 301·Decatur, IL 62523·217-423-1388

figures, OpenTable restaurant occupancy, and trucking demands are all pointing to a recovery.

Dangers still abound from COVID-19 hotspots, to trade, and of course, the uncertainty that comes with the election this fall.

The potential downside risk and landmines persist as the full fallout of the complete shutdown of the U.S. economy is assessed. A re-test of the recent dramatic move has been widely predicted but has yet to materialize. Our opinion is that the risk of volatility is still great, and prudence is warranted.

We appreciate your continued confidence and trust!

The Brechnitz Group

The Brechnitz Group of Raymond James
101 S. Main St., Suite 301·Decatur, IL 62523·217-423-1388