

# FLAGSTONE

FINANCIAL ADVISORS, INC.

## MARKET REVIEW SECOND QUARTER 2020

### ***What Happened:***

Stocks surged 20% in the second quarter despite the ongoing Covid-19 situation. It was the best quarterly performance for stocks in over 20 years and it came on the heels of a 35% drubbing in the first quarter. The rally was sparked by an unprecedented \$1.6 trillion stimulus package from Congress and the Federal Reserve. Investors were also encouraged by the gradual reopening of businesses across much of the U.S. In short, investors seemed to be looking beyond the pandemic.

Having said all that, however, there is still a mountain of uncertainty. Predicting what is in store for the stock market and the economy has never been simple, but the coronavirus has rewritten the playbook. A complete return to normal will probably require a vaccine and nobody can be sure when that will materialize. Thankfully, however, there are many brilliant minds working on its development.

As if the coronavirus was not enough to worry about, the November elections will soon be upon us. That suggests no letup in market volatility for a while. As we ponder how election results might affect the markets, you may be surprised to learn that historical stock performance does not significantly favor either political party. Don't pay too much attention to the rhetoric claiming that the market will fall off a cliff if one party or the other is victorious—it won't.

### ***Second Quarter 2020 Performance:***

|  |       |
|--|-------|
| S&P 500 Index (large stocks)               | 20.5% |
| Russell 2000 Index (small stocks)          | 25.4% |
| MSCI EAFE Index (international stocks)     | 14.9% |
| Barclays U.S. Aggregate Bond Index (bonds) | 2.9%  |

### ***Prognosis:***

The mountain of uncertainty we referred to above brings into play our old friend, the wall of worry. It may seem counterintuitive, but stocks like to climb the wall of worry. It has always been so. While others watch from the sidelines, shrewd investors, like our clients, ride the market recovery over the wall of worry to achieve attractive returns.

Our economy has been hit hard by the coronavirus, but it is strong enough to survive. What's more, the new paradigm will create opportunities that we haven't even considered. Stocks never travel on a straight line, but in the long-term, they move upward. We will get beyond the coronavirus and prosperity will return. Stay patient, stay safe and think long-term.

*SCK*