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Market Update
(all values as of 06.30.2020)

Stock Indices:

Dow Jones	25,812
S&P 500	3,100
Nasdaq	10,058

Bond Sector Yields:

2 Yr Treasury	0.16%
10 Yr Treasury	0.66%
10 Yr Municipal	0.86%
High Yield	6.81%

YTD Market Returns:

Dow Jones	-9.55%
S&P 500	-4.04%
Nasdaq	12.11%
MSCI-EAFE	-12.59%
MSCI-Europe	-14.03%
MSCI-Pacific	-10.25%
MSCI-Emg Mkt	-10.73%
US Agg Bond	6.13%
US Corp Bond	5.03%
US Gov't Bond	7.20%

Commodity Prices:

Gold	1,798
Silver	18.55
Oil (WTI)	39.61

Currencies:

Dollar / Euro	1.12
Dollar / Pound	1.23
Yen / Dollar	107.39
Dollar / Canadian	0.73

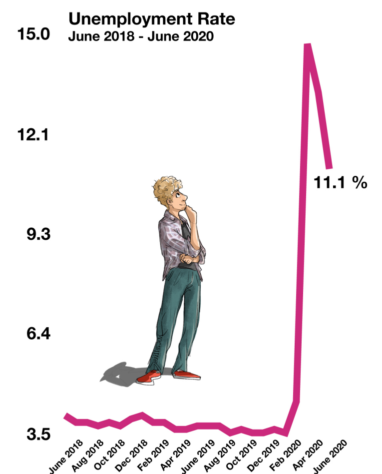
Macro Overview

The reopening has caused a second wave of COVID-19 infections across the country. The increase in new coronavirus cases in various states and cities has escalated anxiety among investors and market analysts. The second wave of infections has led to re-closures by some cities and businesses, inflicting further harm on already struggling businesses. The World Health Organization (WHO) suggested certain countries and regions reinstate lockdowns in order to stem an acceleration of the pandemic. The WHO also believes that the United States and the world will eventually need to learn to live with virus outbreaks and the turmoil that accompanies them.

Markets, however, continued to shrug off dismal economic data amid pandemic worries, as a sporadic easing of restrictions targeting businesses came about. The second quarter, which ended June 30th, saw a rebound in all eleven sectors of the S&P 500 Index, a reversal following the first quarter of the year. The Federal Reserve is putting safeguards in place, should a second wave of infections emerge which could further debilitate economic activity. The safeguards include two newly created lending programs to facilitate liquidity for cities and businesses across the country. The Municipal Liquidity Facility provides essential funds to cities and municipalities suffering from the financial fallout of the outbreak, and the Main Street Lending Program provides loans to small and mid-sized businesses.

The Department of Labor acknowledged that it misclassified 4.9 million non working people as newly employed for the month of May. The May employment data was initially questioned by economists and market analysts, yet propelled equity markets when released. Such data mishaps can place Labor Department data as well as data from other government entities into question. June employment data revealed a decrease in the unemployment rate, propelled by a resurgence in restaurant, hospitality, and leisure jobs.

The European Union (EU) remained closed to U.S. travelers this past month despite borders opening up to residents from other countries as of late June. In response to the steady increase of reported COVID-19 cases within U.S. borders, the EU extended the original July 1st travel ban suspension noting epidemiological factors as the justification.



The Congressional Budget Office (CBO) estimates that the virus outbreak will cost the U.S. economy $7.9 trillion over the next ten years. The uncertainty of how the virus may evolve and when a vaccine is introduced will alter cost estimates. (Sources: Fed, CBO, U.S. Treasury, CDC, Labor Department, WHO)

Equities Remain Resilient – Domestic Equity Update

Equities rebounded in the second quarter, with all eleven sectors of the S&P 500 Index positive for the quarter. Sectors with the most advancements included consumer discretionary, energy, materials and technology. The technology heavy Nasdaq Index has outperformed the S&P 500 and the Dow Jones Industrial Index both year-to-date and for the second quarter. Some stock analysts believe that the disparity in performance is reminiscent of the dot-com expansion 20-years ago.

The Federal Reserve has injected nearly $3 Trillion into the financial system by way of purchasing assets in the open market. As they purchase US Treasuries and other bonds, the sellers received cash. The sellers then invest the cash into other securities. This is $3 Trillion of additional buying of securities. Since March, the demand for securities has exceeded supply, thus driving up security prices. Since June 1st, the Federal Reserve has reduced its balance sheet by $176 Billion. A second Covid-19 outbreak wave will cause a weaker than expected recovery and the Federal Reserve reducing its asset purchases will minimize the markets torrid advance. The financial markets have become expensive while the economy is in a deep recession. This statement, highly priced markets and a weak economy, is a rarity. It can only be justified by the actions of the Federal Reserve.

(Sources: S&P, Nasdaq, Dow Jones, Bloomberg)

Rates Stabilize In June – Fixed Income Overview

Federal Reserve buying of debt securities continued in the second quarter under the Secondary Market Corporate Credit Facility program, which was established to maintain liquidity in the bond markets. Individual corporate bonds and ETFs have been part of the Fed's buying program, which was launched in mid-June. Bonds purchased so far include debt issues from both investment grade and non-investment grade rated companies.

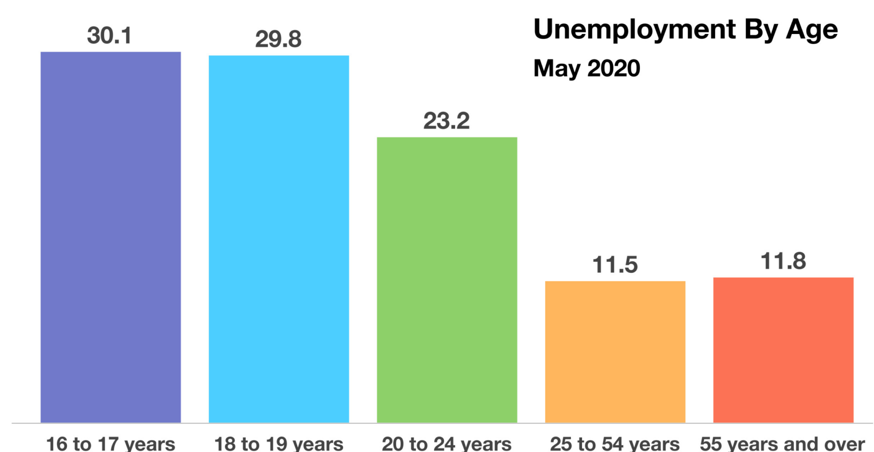
Corporate and government bonds continued to post positive returns in the second quarter, as yields stabilized following the dramatic drop in yields during the first quarter of the year. The benchmark 10-year Treasury bond yield closed at 0.66% at the end of June, helping to boost consumer lending and mortgage rates. (Sources: Treasury Dept., Federal Reserve, Bloomberg)

Unemployment Hits Young Workers Hardest – Labor Market Overview

Unemployment has hit younger workers the hardest, with roughly 25% of workers ages 16 to 24 losing their jobs from February to May due to the virus outbreak. Traditional sectors employing mostly younger workers, such as leisure, hospitality, and restaurants, have suffered dramatic drops in business activity since the outbreak.

Current conditions brought about by the pandemic have made it even more challenging for high school and college students, as well as graduates, to find short term and summer job positions.

Younger workers 16-19 years of age are experiencing unemployment rates as high as 30%, more than double the rate this same time last year. Teenagers are seeing nearly triple the amount of unemployed compared to all other age groups nationally, which is 11.1% unemployment as of the most recent data reported by the Department of Labor. (Sources: DOL, BLS)



Fed Main Street Loan Program – Stimulus Program Overview

In addition to the stimulus loan programs brought about by the CAREs Act, the Federal Reserve has introduced its own stimulus program known as the Main Street Loan Program.

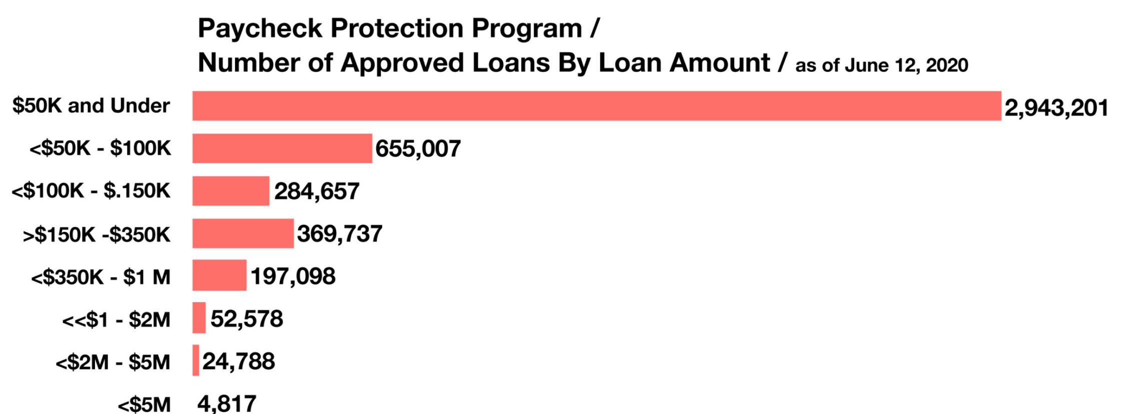
The program is designed to help credit flow to small and medium sized businesses that were in sound financial condition before the onset of COVID-19, and are recovering from, or adapting to, the impacts of the pandemic. The program offers 5-year loans, with floating rates, and deferred principal and interest payments to assist businesses facing temporary cash flow interruptions. Loans range in size from $250,000 to $300 million, offering a wide range supporting a broad set of business entities. Different from PPP loans, Main Street Program loans are not grants and can't be forgiven.

The Fed is participating in the lending process by taking a 95% interest in the loans issued, while lenders retain 5% of the loans. The unusual tactic of taking an interest in the loans allows the Fed to actually assume a risk in the loans issued. Businesses can inquire about eligibility for a Main Street Program loan by accessing the Fed's link https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm. (Source: Federal Reserve Bank of Boston)

Small Business Loan Program Still Has Funds – Stimulus Program Review

Three months following the administration's launch of pandemic relief programs, major debates have arisen in response to the remaining surplus of undirected funds in conjunction with the Paycheck Protection Program (PPP). The program was established to assist small businesses with critical funds in order to remain in business during the pandemic.

PPP loan measures have been taken and proposed by congressional members considering the excuse of loans $150,000 or less, which represents nearly 85% of all PPP loans, in order to minimize the burden while utilizing a minimal proportion of the Paycheck Protection Program's overall expenditure.



After the Small Business Administration's approval of increased loans, the program's outlays are the largest financial outlay within COVID-19 spending. Loan applications have shown promising results to nearly 81% of PPP loan applicants, many reporting having already received the funds.

Unless extended by Congress, the Paycheck Protection Program stopped accepting new loan applications on June 30, 2020. As of June 12, 2020, the SBA reported that over 4.5 million PPP loans had been approved, with an average loan amount of $113,000. (Sources: SBA, congress.gov, NFIB)

Tapping 401k & Retirement Plan Assets During The Crisis – Retirement Planning

Provisions initiated by the CAREs Act allows for the withdrawal of retirement plan assets with waived penalties and minimized tax liabilities. During the current tax year, retirement account owners will be able to withdraw funds from 401k plans, tax deferred plans, and IRAs without any penalties. Loan limitations on company sponsored 401k plans will also be relaxed, allowing employees to take larger loan amounts. Required Minimum Distributions (RMD)s are also being waived for 2020 distributions.

Section 2202 under the CAREs Act enacted on March 27, 2020, provides for special distribution options and rollover rules for retirement plans and IRAs. Under the revised rules, IRA owners and retirement plan participants are allowed to withdraw up to $100,000, but must meet certain criteria to qualify. The IRS notes the following as criteria to meet:

You are diagnosed with the coronavirus (COVID-19); Your spouse is diagnosed with the coronavirus (COVID-19); You experience adverse financial consequences as a result of being quarantined, furloughed, laid off, or having reduced work hours all due to COVID-19; Unable to work due to a lack of child care as result of COVID-19; Experience adverse financial consequences as a result of closing a business or loss of hours as a result of COVID-19.

Distributions from IRAs and qualified plans will have the 10% penalty waived but are still taxed at the individual owner's corresponding tax rate. Qualified distributions up to the $100,000 maximum are for distributions made between January 1, 2020 and December 30, 2020. Taxes on distributions may be paid over a three year period starting with the year in which the initial distribution was made. Distributions may also be repaid back to an IRA or qualified plan over a three year period to avoid any tax consequences. (Source: https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers)

Mortgage Foreclosure Moratorium Extended – Housing Market Update

In an effort to help keep homeowners and renters suffering from financial burdens due to the pandemic in their homes, federal foreclosure and eviction moratoriums are being extended to August 31, 2020 from the original expiration date of June 30th. FHA-insured single family mortgages backed by the U.S. Department of Housing & Urban Development (HUD), will have an extension on moratoriums until the end of June. So, the expiration on moratoriums depends on what entity insures the mortgage loan. Lenders of unpaid mortgages during the moratorium, are required to halt foreclosure actions and suspend any foreclosure proceedings that may have been in process. Evictions of residents renting from homeowners in moratorium, are also forbidden until the expiration of the moratorium.

It is suggested that homeowners continue to make mortgage payments during the moratorium period. If unable to, then homeowners may seek forbearance on the payments via a provision in the CAREs Act. Homeowners affected by the coronavirus pandemic with a federally-backed loan can delay or reduce mortgage payments for up to a year. Homeowners that don't have a government backed loan may get forbearance at the discretion of their mortgage lender. (Sources: Fannie Mae, Freddie Mac, HUD)

Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.