



## **Mid-Quarter Investment Market Commentary – 2<sup>nd</sup> Quarter 2020**

**June 1, 2020**

Market pullbacks are scary, but typically we can point to similar past situations for reference on what we may expect next. However, there is no close corollary to this pandemic--making it difficult to answer the question "What comes next?".

What is clear is that after an initial crash (only 21 days from market peak to bear market level--the fastest move ever), investment markets have generally shrugged off most of the bad news, leading to an unexpected trend upward. As local economies methodically re-open for business, will the "fits & starts" cause a re-think of this trend, or will a gradually re-opened economy add to the momentum? Much depends on the statistics about infection, availability of therapeutics, and development of potential vaccines.

COVID-19 has changed our lives, including how we interact with our families, our friends, and our communities. It has changed how we work, how we shop, and how we entertain ourselves. But how will it impact *your* long-term financial plan? We understand that you have many questions during this unprecedented time. Over the last two and a half months of client conversations, it's one question I heard from someone that continues to resonate with me: "When this is all over, what will I wish I had done?"

My answer is and has been to focus on what is in your control: managing cash savings, re-visiting risk tolerance if necessary, limiting media noise, & relying on the plan we have built to this point. Some plans may need some adjustment based on what's changed.

### **Planning Questions to Ask Yourself**

**Has my current cash-flow been affected?** Cash-flow is the engine of your financial plan. Savings contributions and withdrawal needs are a function of available cash-flow. If employment has changed or income has been affected (even if only temporary), it should be addressed sooner than later.

**Is your risk tolerance in-line with your current situation?** In other words, how much should you be exposed to stock investments? Your “risk tolerance” is determined by your personal circumstances. It’s unique to your situation and your goals. A regular review of your goals and risk tolerance is key to remaining on track to reach your investment objectives. If you would like to reassess your risk tolerance, please let us know and we will reach out.

### **Investment Questions That May Be Top of Mind**

**How will the markets behave moving forward?** In the broadest terms, they will likely act as they have historically. We expect they will continue to be cyclical. They will likely trend upward, not downward, especially over longer time horizons. Remember that markets are driven by human beings and are volatile and messy, but they have always bounced back — despite pandemics, wars, and economic recessions.

**How should/has your portfolio changed?** Rest assured that our client portfolios are well-diversified and prepared for various market environments. With the collective experience of our sub-advisor partners, tilts have already been made to asset allocation in an effort to capture sectors that may experience economic recovery. Major change in your risk or equity allocation will be driven by changes in your situation or goals.

As we move through the summer months, our practice will continue to keep you updated, and make ourselves available to you as needed. Our plan is to continue to host informational webinars and provide other educational opportunities. As we conduct reviews, some tax planning may be brought forward in light of the market adjustment. Should you wish to re-visit your plan or bring your next review forward, please let us know so that we can arrange an online or phone meeting. Our office remains closed for the month of June, however staff are maintaining regular office hours, and are available by phone, email or video conference/screen-sharing as needed.

We appreciate your continued partnership.

Sincerely,

Jason

Jason Vitucci, CFP®, EA  
Financial Advisor

## Market Movement

Typically I include a list of various asset classes and their up/down movement over a specified timeframe. Most people have been acutely aware of investment market movement recently, so I am including other measures of economic activity for a different kind of perspective:

Indicator	Date (2020)	Level	Level
Initial Jobless Claims	May 15	2,438,000	213,000
Weekly Retail Sales <sup>1</sup>	May 16	-9.5%	+5.2%
Box Office Receipts	May 8-14	\$141,650	\$219,520,275
Rail Car Traffic (cars)	May 15	416,115	533,557
Steel Production (net tons)	May 18	1,181	1,900
Hotel Occupancy	May 10-16	32.4%	86.5%
Hotel Average Daily Rate	May 10-16	\$77.55	\$134.64
Hotel Revenue per Available Room	May 10-16	\$25.12	\$95.15
Operable State of the Restaurant Industry <sup>2,3</sup>	May 25	-87%	NA
TSA Checkpoint Data (people) <sup>2</sup>	May 25	340,769	2,512,237
Supply of Motor Gasoline in the US (Mbbl/d)	May 15	6,790	9,429
Federal Withheld Income and Employment Taxes 20 Day Moving Total (billions)	May 21	\$165,159	\$185,910
Federal Withheld Income and Employment Taxes 25 Day Moving Total (billions)	May 21	\$207,556	\$229,946

Sources: First Trust Advisors, Department of Labor, Redbook Research, Box Office Mojo, Association of American Railroads, American Iron and Steel Institute, Hotel News Now, Opentable, Transportation Security Administration, Energy Information Administration

1 Data for level, year ago level, and month ago level are all YOY % changes.

2 Data is provided daily instead of weekly.

3 Data shows year-over-year seated diners at restaurants on the OpenTable network across all channels: online reservations, phone reservations, and walk-ins. % change month over month is the current reading minus the month ago reading.

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High quality investments are investments in securities issued by companies with the propensity for higher than average characteristics including higher and more consistent profitability, stronger balance sheets, and higher dividend growth. The primary diversifiable risk is opportunity risk.

International investing is an investment strategy where investors chose global investment instruments. International investing can be accomplished utilizing a variety of investment vehicles including, but not limited to, ETFs, American Depository Receipts, or a direct investment in a foreign stock exchange. Diversifiable risks include, but are not limited to, political risk and currency risk.

Bonds are a type of debt instrument issued by a government or corporate entity for a defined period of time at a fixed interest rate. Bonds may be subject to unsystematic risks including, but are not limited to, call risk and reinvestment risk. High yield bonds, or junk bonds, will be subject to an even greater degree of these risks as well as subject to the credit risk. Commodity instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargo, tariffs, and international economic, political, and regulatory developments.

A client's risk budget is derived from the client's specific answers to a risk assessment, which establishes the client's financial goals, ability to handle risk, and overall investment time horizon. The individual client risk budget is expressed as a percentage of the risk of a well-diversified equity portfolio. CLS Investments & Tower Square Investment Management contributed to this commentary.

Please remember that diversification and asset allocation do not guarantee a profit nor protect against loss in a declining market. They are methods used to help manage risk.

The Dow Jones Real Estate Indices are part of the Dow Jones Global Indices\* family, a comprehensive yet investable index series that provides 95% market capitalization coverage of 51 countries. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The DXY is the U.S. Dollar Index. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of June 2007 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The MSCI Small Cap Index target 40% of the eligible Small Cap universe within each industry group, within each country. MSCI defines the Small Cap universe as all listed securities that have a market capitalization in the range of USD200-1,500 million.



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