# GBA Financial

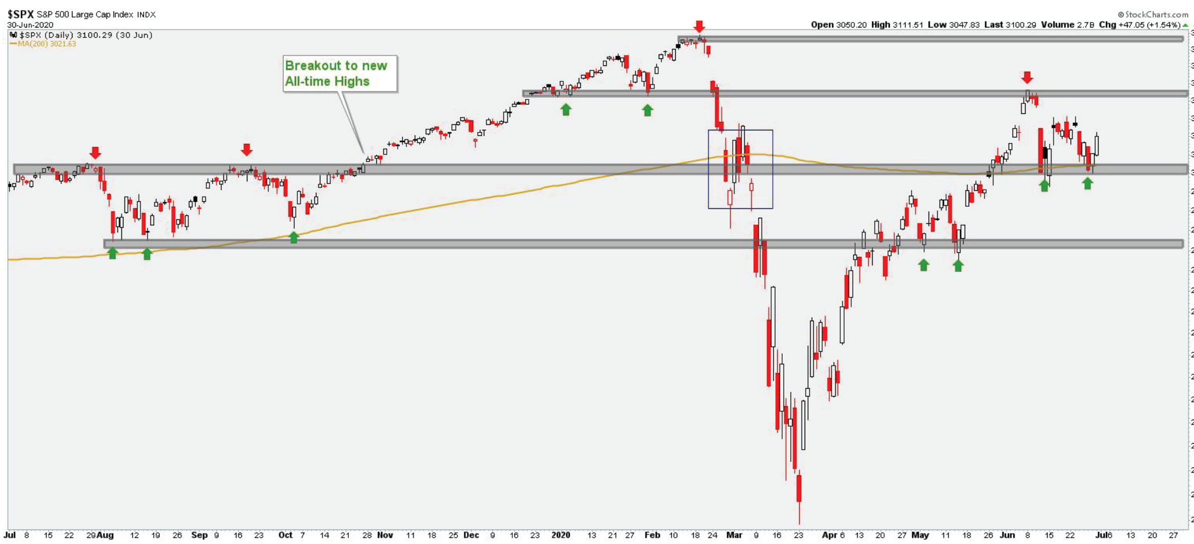
*financial planning for retirement*

# Newsletter

## July 2020

## COMMENTARY

This month we are going to examine the S&P 500 index which encapsulates what we are seeing from our top-down approach. There are many ways to analyze the market and the economy, but our approach is to look at hundreds of charts weekly and take a 'weight-of-the-evidence' approach to gauge the market and economy.




Let us start by defining what the horizontal gray areas are – these are areas where we are seeing possible support and possible resistance. Support is the price level at which demand is thought to be strong enough to prevent the price from declining further and resistance is the price level at which selling is thought to be strong enough to prevent the price from rising further (stockcharts.com). These areas are important levels and ones we have been watching since the market bottomed on March 23rd and then proceeded higher. We say these levels are 'possible' support/resistance levels

## ECONOMIC HIGHLIGHTS

| | |
|---|---|
| S&P 500 | 3,047.83 |
| DIJA | 25,812.88 |
| NASDAQ | 10,058.77 |
| OIL | $39.27/BARREL |
| GOLD | $1,800.50/OUNCE |
| 10-YEAR TREASURY FIELD | 0.65% |
| UNEMPLOYMENT | 13.30% |
| GDP | -3.4% |
| CONSUMER PRICE INDEX (CPI) | -0.1% (12 MO CHANGE +0.1%) |
| CORE CPI | -0.1% (12 MO CHANGE +1.2%) |

ADP Payroll Reports: July private payrolls rose by 2.37 million, just shy of the 2.5 million expecta-tion. ADP also revised May's numbers, the initial reported loss of 2.76 million was revised to a gain of 3.07 million (+5.83 million).

Some of the fiscal stimulus programs in place to stabilize the economy set to expire after July. We will be watching to see how Congress acts, whether that is extending the programs or replacing them with alternatives.

The IMF downgraded its economic outlook for the year, projecting the global economy to shrink 4.9%. This is a revision from last month's estimate that had the economy shrinking 3%.

because we do not know if the market will agree with our analysis or not. But typically, when you have a support or a resistance level established in the past, it will be an important level in the future. Also, we tend to see resistance levels become support levels in the future and support levels become resistance levels in the future.

Starting from the left of the chart and moving toward the right we can examine the second gray area from the bottom, (S&P 500 level 3000-3025). We have two red arrows showing the market failing to move above this level (resistance) until it was finally able to break above in late October 2019. If you recall, we were very bullish when this happened and thought we were in store for some very bullish action. Our prediction was correct until COVID-19 halted everything. Fast forward along the same line to the blue box and although this looks like a complete mess, notice how the market bounced around this area with extreme volatility during the early parts of COVID-19 hitting the United States. Moving to July 2020 we see this level has been tested twice and both times acted as support. If you are in the bullish camp, you want to see this 3000-3025 level hold support, a break below this would cause some red flags. We also would like to see the market break above the 3225 level and ultimately breakout to new highs. If 3000-3025 does not hold, the next important level to us will be 2800-2825. There is a saying that the market takes an elevator down and an escalator up. The elevator down was not fun just a few months ago, but as of right now I believe the escalator up is intact.

Our long-term view on the equity market is still bullish and we believe we are in the middle part of a secular bull market that from a historical perspective could have another 10 years left. From a tactical portfolio position, we are currently overweight equities but did reduce our overall exposure in July 2020 with a directed trade and with our disciplined rebalancing process triggering sells in equities and purchases in fixed income. We see long-term opportunities in the high-yield fixed income market with active management being key in the high-yield space to avoid companies that have weak balance sheets. Until a vaccination for COVID-19 is discovered and distributed we expect the markets to be a bumpy ride. From a portfolio positioning standpoint, we are always looking for opportunities both in the intermediate-term and long-term and continue to monitor accounts daily with our commitment to rebalance accounts as they fall outside of their equity-to-fixed income ratio.

## MARKET TRACKER

| INDEX | 3 MO | 1 YR | 3 YR | 5 YR |
|---|---|---|---|---|
| S&P 500 | 20.54% | 7.51% | 10.73% | 10.73% |
| MSCI EAFE | 14.88% | -5.13% | 0.81% | 2.05% |
| BAR AGG BOND | 2.90% | 8.74% | 5.32% | 4.30% |

JEN@GBAFINANCIAL.COM
217.498.8575 | 855.778.8883
FAX: 217.498.9299

GBA Financial
financial planning for retirement

ROCHESTER STATION
203 SOUTH WALNUT / PO BOX 528
ROCHESTER, IL 62563

GBA Financial
*financial planning for retirement*

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
The S&P 500® Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

The S&P 500® Health Care comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.
The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.
The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.
The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.
The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.
The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.
The S&P 500® Consumer Staples comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.
The S&P 500® Materials comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.
The S&P 500® Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.
The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.
The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.



This newsletter is created by Portfolio Partners. Portfolio Partners provides investment research, portfolio and model management, and investment advisor services to investment advisor representatives. Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

jen@gbafinancial.com
217.498.8575 | 855.778.8883
Fax: 217.498.9299

GBA Financial
*financial planning for retirement*

Rochester Station
203 South Walnut / PO Box 528
Rochester, IL 62563