
Markets React to Fed Report

Weekly Update – June 15, 2020

The Week on Wall Street

Investor sentiment turned negative last week, amid an increasing number of COVID-19 cases in states where reopening has been underway as well as a subdued economic forecast from the Federal Reserve.

The Dow Jones Industrial Average dropped 5.55%, while the Standard & Poor's 500 lost 4.78%. The Nasdaq Composite Index slipped 2.30% for the week. The MSCI EAFE Index, which tracks developed stock markets overseas, fell 3.10%.^{1,2,3}

Reality Bites

The optimism that drove stock prices higher these past several weeks slipped away on reports of a jump in COVID-19 cases, which sparked worries of a second wave slowing the economic recovery. A sober forecast for the economy by the Federal Reserve further dampened investor sentiment.

The week started upbeat with “reopening” stocks, e.g., financials, transportation, retailers, travel and leisure, and industrials, leading the way higher. But the momentum was soon lost as stocks turned mixed on Tuesday and Wednesday and then moved decidedly downward, with the S&P 500 losing 5.9% on Thursday.⁴

Amid a volatile week, big technology companies resumed their market leadership, with the NASDAQ Composite closing above 10,000 for the first time. Stocks pared their losses on Friday, but it wasn't enough.⁵

Fed Forecasts Economic Growth and Interest Rates

On Wednesday, the Federal Reserve said that it would keep the federal funds rate near zero and maintain its monthly purchases of Treasury bonds and mortgage-backed securities.

The Fed also issued its forecasts for 2020-2022, indicating that it saw its benchmark federal funds rate remaining at zero, with inflation at 0.8% for 2020, increasing to 1.6% in 2021, then to 1.7% in 2022. Fed officials also expect the economy to shrink by 6.5% this year, with Gross Domestic Product growing 5% and 3.5% in 2021 and 2022, respectively. Their forecast for unemployment predicts a steady decline over the next 2½ years, from 9.3% by the end of 2020 to 5.5% in 2022.⁶

THIS WEEK: KEY ECONOMIC DATA

Tuesday: Retail Sales. Industrial Production.

Wednesday: Housing Starts.

Thursday: Jobless Claims. Index of Leading Economic Indicators.

Source: Econoday, June 12, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THIS WEEK: COMPANIES REPORTING EARNINGS

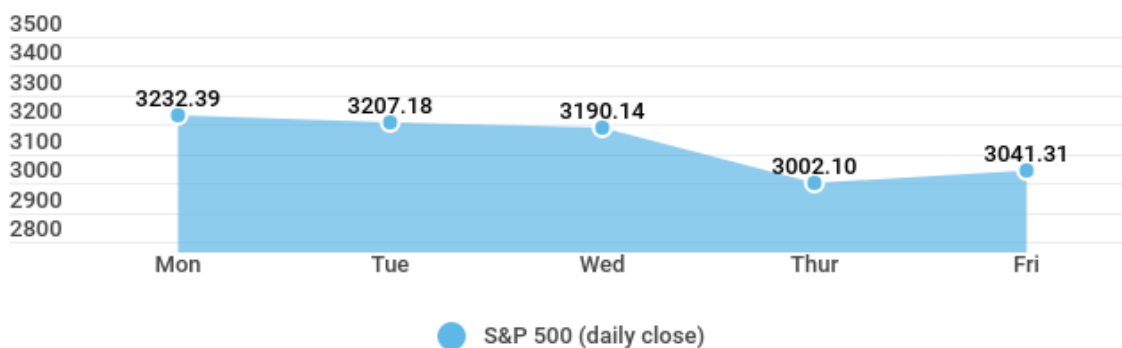
Tuesday: Oracle (ORCL), Lennar (LEN).

Thursday: Kroger (KR).

Source: Zacks, June 12, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

Market Index	Close	Week	Y-T-D
DJIA	25,605.54	-5.55%	-10.28%
NASDAQ	9,588.81	-2.30%	+6.87%
MSCI-EAFE	1,789.20	-3.10%	-12.16%
S&P 500	3,041.31	-4.78%	-5.86%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.71%	-0.20%	-1.21%

Sources: The Wall Street Journal, June 12, 2020; Treasury.gov, June 12, 2020

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, June 5 to the Friday, June 12 close. Weekly performance for the MSCI-EAFE is measured from the Friday, June 5 open to the Thursday June 12 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

QUOTE OF THE WEEK



“Never let your sense of morals get in the way of doing what's right.”

– Isaac Asimov

RECIPE OF THE WEEK



Kale Slaw



Serves 4

Ingredients:

- 1 head of kale, stemmed and thinly sliced
- ½ orange, juiced
- ½ lemon, juiced
- ½ cup sesame seeds
- Salt and pepper
- 1 Tbsp. extra-virgin olive oil
- 1 Tbsp. apple cider vinegar

Directions:

1. Place kale into a salad bowl.
2. With your hands, toss with orange juice, lemon juice, seeds, and salt.
3. Let the kale sit a few minutes.

4. Add the olive oil and apple cider vinegar, then mix well.
5. Refrigerate until ready to serve.

Recipe adapted from FoodNetwork.com⁷



A Compromise Can Be a Beautiful Thing

Sometimes taxpayers owe more money in taxes than they can afford to pay to the IRS. When this happens, you have the option to file an Offer in Compromise, which allows you to pay less than you owe. If you opt to pursue this route, here are some specific details you should know.

Affording the full debt amount. If you can afford to pay your full debt, you will, most likely, not qualify for an Offer in Compromise. Instead, you should pursue other options, such as setting up a payment plan with the IRS.

Filing all required tax materials. In order to apply for an Offer in Compromise, you must have filed all necessary tax paperwork with the IRS.

Making an initial payment toward your debt. The IRS may require you to pay an amount toward your owed taxes when you apply for Offer in Compromise. Any payments will apply to your debt.

You can find out if you qualify by using the IRS [Offer in Compromise Pre-Qualifier Tool](#).

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from IRS.gov⁸



Avoiding a Back-Nine Blowup

The front nine goes really well for you: you have a couple of birdies, an eagle, or you par half the holes, and it looks like you're on pace to break 90, 80, or whatever your goal may be. On the back nine, that's all you can think about. You end up putting pressure on yourself, and your game quickly suffers.

The lesson here is that you can only play one shot at a time. Thinking about your scorecard instead of the shot you need to play right now interferes with your focus and process. If you break 90 or 80, it won't be because of adrenaline or daydreaming. It will be because you maintain your focus. So, stick to your pre-shot routine, and focus on each shot at hand. Think of the hole in front of you, not the "whole" of your round, and your back nine may be as good as your front nine.

Tip adapted from LiveAbout.com⁹



Why It's Important to Stop and Smell the Roses

It's a cliché expression, which most of us have heard and likely used, but research has shown that there may be actual health benefits when you "stop and smell the roses." One might think that the benefits are solely based on the simple act of pausing and grounding oneself in the present, but there is a little more to the story. Just be mindful that any information here isn't a substitute for medical advice from your doctor.

Researchers conducted a study of the information retention abilities of 50 6th graders. Each student was given identical lessons to study before bedtime. The other participants were instructed to have rose-scented incense on their desk while studying at home; the other participants, no fragrance. Seven days later, they took a test on the lesson. The students who studied with the rose fragrance took the test with rose incense. The fragrance-free group did not have incense. The rose group scored, on average, 30% higher on the exam than the other group.

So, what does this mean? Certain fragrances, like rose, may help improve a person's memory recall when used in the right context. Just another reason to pause and enjoy one of nature's most beautiful flowers.

Tip adapted from MSN.com¹⁰



Going Green for Baby

Are you or someone you know expecting or a new mom? It's now easier than ever to start baby off right with green and eco-friendly items.

One of the most effective and easiest ways to go green with a new baby is to use cloth diapers instead of disposable ones. Cloth diapers do cost more initially, but they will save you a ton of money in the long run, while also being kinder to the environment. Many parents also find that their babies have a far lower incidence of skin irritation and diaper rash when using cloth diapers.

When it comes to toys and teethingers for your baby, look for items that are made from organic cotton and free from chemicals.

Tip adapted from GreenAmerica.org¹¹

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues.

If you would like us to add them to our list,

you can have them check-out our web-site (<http://thebacagroup.com>)

We love being introduced!

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Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ The Wall Street Journal, June 12, 2020

² The Wall Street Journal, June 12, 2020

³ The Wall Street Journal, June 12, 2020

⁴ The Wall Street Journal, June 11, 2020

⁵ CNBC, June 12, 2020

⁶ CNBC, June 10, 2020

⁷ FoodNetwork.com, June 12, 2020

⁸ IRS.gov, June 12, 2020

⁹ LiveAbout.com, June 12, 2020

¹⁰ MSN.com, February 4, 2020

¹¹ GreenAmerica.org, June 12, 2020