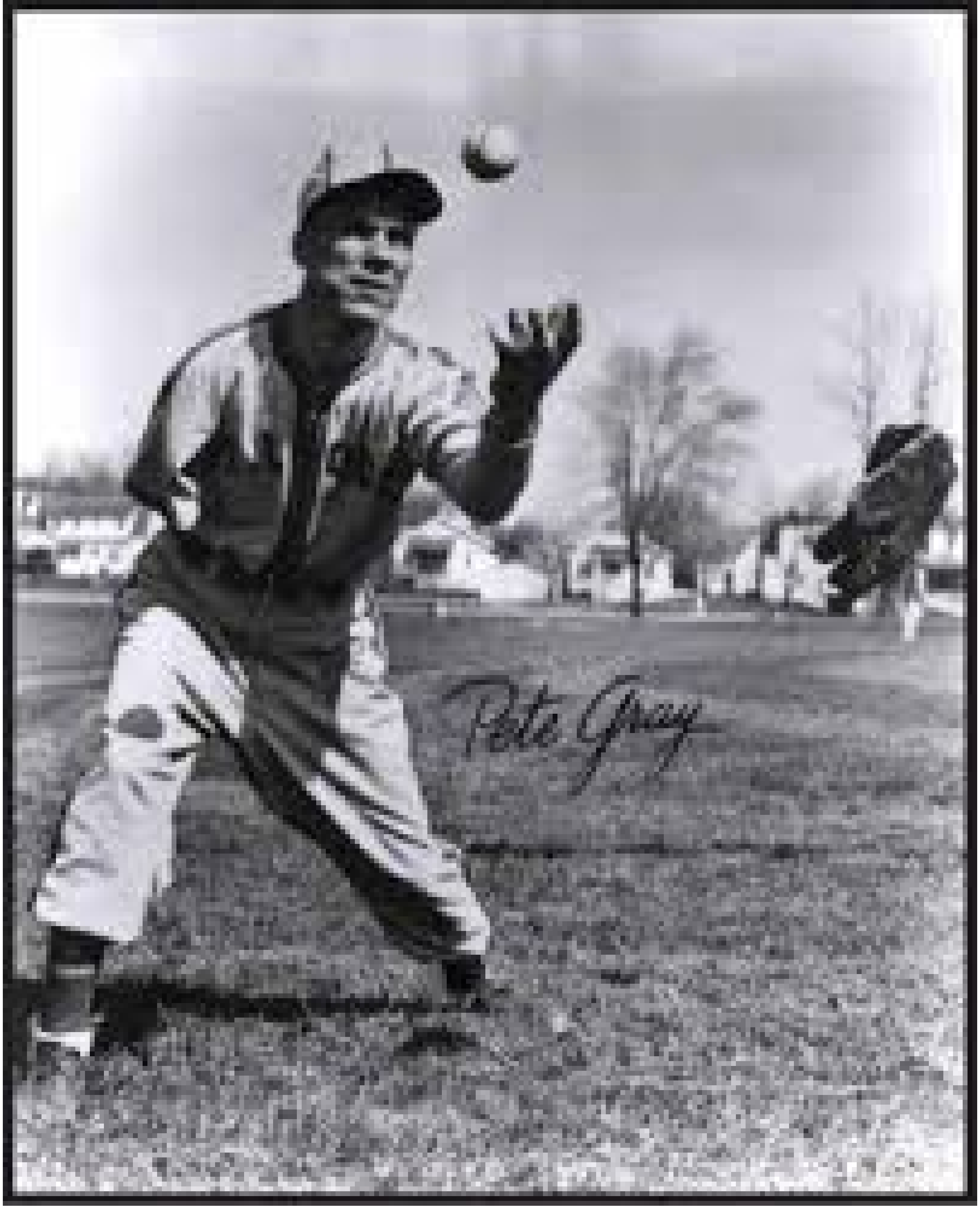
Weekly Commentary

June 15, 2020



Shades of Gray

On Sunday, May 20, 1945, the St. Louis Browns trounced the New York Yankees in both games of a doubleheader. Browns outfielder Pete Gray was the star of the day. In the first game he had three hits, driving in two runs and scoring a third. In the second game he scored the go-ahead run, and made a spectacular catch in the outfield.

Pretty spectacular for a guy with one arm.

During World War II, large numbers of baseball players joined the military, so team s had to look for replacements. One of those called up was Pete Gray.

When Gray was six, he fell off a farm wagon and his right arm got caught in the spokes. It had to be amputated at the elbow. A natural right-hander, Gray learned to throw and bat using only his left hand.

His passion for baseball led him to spend untold hours perfecting a way to catch a ball, tuck his glove under his stump, then roll the ball across his chest to his throwing hand in one quick motion.

Eventually he quit school to pursue a baseball career. He joined the pennant-contending St. Louis team in 1945 after a stellar year in the minors, where he batted .333 and hit 6 home runs. His major league numbers were nowhere near as strong- he played in only 77 games and batted .211. When the year was out, and the regulars returned, he was gone from the majors for good.

But to many he was a hero. Pete Gray: a man unwilling to let adversity get in the way of a dream.

Gray was asked how good he might have been if he had never lost his arm. "Who knows?" he said. "Maybe I wouldn't have done as well. I probably wouldn't have been as determined."

The Greatest War Stories Never Told By Rick Beyer

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The Markets

The Nasdaq Composite dipped its toes into record territory last week before retreating.

Stock indices in the United States rallied early last week on optimism about the reopening of businesses across the country. The Nasdaq Composite rose to 10,000 for the first time ever, before tumbling lower.

Nicholas Jasinski of *Barron's* reported, "What caused the rally to sputter this past week? Nothing particularly new or unexpected. On Wednesday, Federal Reserve Chairman Jerome Powell emphasized the long, slow path back to previous levels of employment and economic activity, in contrast to the market's lightning-fast recovery. Shocking."

On Wednesday, the United States Federal Reserve (Fed) economic projections showed U.S. economic growth declining 6.5 percent this year with unemployment receding to 9.3 percent. In 2021, the Fed expects economic growth to improve, increasing by 5 percent, while unemployment ebbs to 6.5 percent.

Fed Chair Jerome Powell said:

> "The extent of the downturn and the pace of recovery remain extraordinarily uncertain and will depend in large part on our success in containing the virus. We all want to get back to normal, but a full recovery is unlikely to occur until people are confident that it is safe to reengage in a broad range of activities. The severity of the downturn will also depend on the policy actions taken at all levels of government to provide relief and to support the recovery when the public health crisis passes."

Powell indicated low income workers have been hit hardest in this recession and Congress may need to take additional action to help improve the labor situation in the United States.

News that the number of confirmed coronavirus cases had risen in several U.S. states, as well as other countries, coupled with the Fed's modest outlook for the pace of recovery, appeared to kindle investor anxiety and U.S. stocks sold off sharply on Thursday.

By Friday, major indices had recouped some losses, but finished lower for the week.

Data as of 6/12/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-4.8%	-5.9%	5.6%	7.8%	7.8%	10.8%
Dow Jones Global ex-U.S.	-3.5	-12.5	-5.2	-1.4	-0.6	2.3
10-year Treasury Note (Yield Only)	0.7	NA	2.1	2.2	2.4	3.3
Gold (per ounce)	3.0	13.8	30.1	11.0	7.9	3.5
Bloomberg Commodity Index	-1.5	-21.2	-17.4	-7.9	-8.7	-6.7

Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HOW DOES VOLATILITY IMPACT YOUR CHOICES? When it comes to investing, people tend to have short memories. During bull markets, as stock values push higher, many investors want to increase their exposure to stocks. Why wouldn't they? When volatility is relatively low, it can be difficult for investors to recall why they limited their exposure to higher risk assets.

Similarly, when a bear market arrives and volatility increases, investors often want to retreat to the safety of more conservative investments. After all, when volatility increases and stock values fluctuate dramatically, it can be difficult for investors to recall why they chose to invest any portion of their portfolios in stocks.

The fact is, investors often fall prey to a phenomenon known as recency bias. People tend to believe what is happening now will continue to occur in the future. It won't. The economy tends to cycle from expansion to contraction and back to expansion. Stock markets tend to cycle from bull markets to bear markets and back to bull markets. Periods of high volatility tend to be followed by periods of low volatility.

We are all susceptible to recency bias and other behaviors that can undermine investment success. In their research paper, *The Behavior of Individual Investors*, Brad Barber and Terrance Odean concluded:

> "The investors who inhabit the real world and those who populate academic models are distant cousins. In theory, investors hold well diversified portfolios and trade infrequently so as to minimize taxes and other investment costs. In practice, investors behave differently. They trade frequently and have perverse stock selection ability, incurring unnecessary investment costs and return losses. They tend to sell their winners and hold their losers, generating unnecessary tax liabilities. Many hold poorly diversified portfolios, resulting in unnecessarily high levels of diversifiable risk, and many are unduly influenced by media and past experience."

If recent volatility has caused you to question your investment choices, please get in touch. Together we'll review your goals, strategy, and portfolio allocation and suggest recommendations which support your goals and risk tolerance.

Weekly Focus - Think About It

"The psychology of individuals - warts and all - must be a central consideration in the formulation of any practical investing approach. The good news here is that others' misbehavior will consistently and systematically create opportunities for you. The bad news is that you are prone to all of the same quirks and are just as likely, in the absence of strict adherence to the rules, to create the same opportunities for others."

--Daniel Crosby, Psychologist and author

Best Regards,

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Sources:
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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and

emerging countries included in the Index.
* 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.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Stock investing involves risk including loss of principal.
* Consult your financial professional before making any investment decision.