



EVERETT FINANCIAL GROUP

Weekly Commentary

June 9, 2020



The Long and Winding Road

It began with a concert by Don McLean at the Troubadour in Los Angeles. One of the people in the audience was twenty-year-old Lori Lieberman, who was trying to make it as a folksinger. She knew hardly anything about McLean's work, except for his mega-hit "American Pie." But she found herself spellbound. Sitting in the darkened audience, Lieberman was overwhelmed by the feeling that McLean was looking right into her soul and telling the story of her life.

Lieberman described her experience to the songwriting team of Norman Gimbel and Charles Fox, who were producing her debut record album. They wrote a song that captured her powerful feelings, and it wound on the record.

Although it didn't exactly set the world on fire, the song did get picked up by American Airlines for one of its in-flight music programs. At three-o'clock in the morning, on a red-eye flight from Los Angeles to New York, singer Roberta Flack was leafing through an in-flight magazine when she saw a blurb on the song and tuned in to hear it.

"By the time I got to New York I knew I had to do that song."

"Killing Me Softly with His Song" went on to win the 1974 Grammy's for Record of the Year and Song of the Year. *Billboard* magazine has ranked it as one of the top 100 pop songs of all time. Says Don McLean, the man who started it all: "I must say I'm very humbled about the whole thing."

Lighting struck twice for the song when it became a huge hit for Lauryn Hill and the Fugees in 1996.

The Greatest Music Stories Never Told By Rick Beyer

Weekly Market Commentary June 8, 2020

The Markets

The employment report electrified U.S. stock markets last week.

American stock markets responded enthusiastically to the news U.S. unemployment was 13.3 percent in May. If it seems inexplicable double-digit unemployment would thrill investors, there is a reason. The unemployment rate in April was higher at 14.7 percent, and analysts had forecast the rate in May would jump to 19.1 percent. All in all, that makes 13.3 percent look pretty attractive.

There were some caveats.

First, "If the workers who were recorded as employed but absent from work due to 'other reasons'... had been classified as unemployed on temporary layoff, the overall unemployment rate would have been about 3 percentage points higher than reported," explained the *Bureau of Labor Statistics (BLS)*. The same would have been true of April's numbers, so it's a wash. Month-to-month, the numbers dropped.

Second, there is more than one measure of unemployment. U3 measures people who are unemployed and seeking work. U6 includes unemployed, underemployed (part-time workers who want to be working full-time), and discouraged workers. It's usually a higher number. The *May Employment Summary Report* showed U6 unemployment was 21.2 percent, down from 22.8 percent in April. That suggests about one-in-five Americans is not working as much as they would like to be.

The *BLS* wrote the improvement in unemployment reflected, "...a limited resumption of economic activity that had been curtailed in March and April due to the coronavirus (COVID-19) pandemic and efforts to contain it." The biggest job gains were in leisure and hospitality, construction, education and health services, and retail trade.

The lower month-to-month numbers may be a sign the Paycheck Protection Program (PPP) worked:

"...give some credit to the government relief efforts, especially the [PPP], for bringing back jobs. The program gave relief to small businesses...through loans that would not have to be paid back if most of the money went to rehire and pay employees. PPP money had to be used

right away, and a lot of it started hitting small businesses' bank accounts in late April and early May, which ended up triggering a net gain of 2.5 million jobs in May," reported Heather Long of *The Washington Post*.

Eurozone stocks rallied last week, too, after the European Central Bank increased its quantitative easing program and extended support to June 2021, reported Dhara Ranasinghe and Yoruk Bahceli of *Reuters*.

Major U.S. indices and U.S. Treasury yields finished the week higher.

| Data as of 6/5/20 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|---|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 (Domestic Stocks) | 4.9% | -1.1% | 9.5% | 8.8% | 7.6% | 11.8% |
| Dow Jones Global ex-U.S. | 7.1 | -9.3 | 0.0 | -0.6 | 0.3 | 3.2 |
| 10-year Treasury Note (Yield Only) | 0.9 | NA | 1.9 | 2.1 | 2.4 | 3.2 |
| Gold (per ounce) | -2.6 | 10.5 | 26.1 | 9.6 | 7.7 | 3.3 |
| Bloomberg Commodity Index | 1.8 | -20.0 | -15.4 | -7.6 | -8.4 | -6.2 |

S&P 500, 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.

NECESSITY IS THE MOTHER OF INVENTION. The silver lining of the COVID-19 cloud may be innovation. From healthcare to retail, people and companies have been identifying problems and finding ways to solve them:

- **How much toilet paper is enough toilet paper?** As consumers cleared shelves of toilet paper, a company in Germany developed a toilet paper calculator to help determine how much is enough. "A person with a stockpile of 10 rolls, who uses the typical amount of paper three times a day, should survive for 53 days...39 days longer than the recommended 14-day quarantine for those with symptoms," reported *Reuters*.
- **Ingenious respirator solutions.** Early in the crisis a dearth of respirators handicapped healthcare workers' ability to support patients with serious cases of COVID-19. Many companies developed alternatives. One company, "...built a simple but effective ventilator from a windshield wiper motor and a pliable [hand-operated resuscitator]," reported Eric Haseltine in *Psychology Today*.
- **Where's Waldo's fever?** An artificial intelligence firm that creates tools to detect threats of violence revamped its analytics software so thermal cameras can measure the temperature of a person's forehead and send out an alarm when a fever is detected.

- **Gear 'Q' would have loved.** A California company held a month-long contest, asking participants to suggest practical devices for a COVID-19 world. Entries "...poured in, including a wrist-mounted disinfectant sprayer, half gloves for knuckle-pushing of buttons and a device that lets you open car doors without touching the handle, aimed at cab users," reported *Reuters*.

Weekly Focus - Think About It

"A rock pile ceases to be a rock pile the moment a single man contemplates it, bearing within him the image of a cathedral."

--*Antoine de Saint-Exupéry, writer and poet*

Best Regards,



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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.

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