



EVERETT FINANCIAL GROUP

## Weekly Commentary

July 6, 2020



### Lights! Camera! War!

In January of 1914, Mexican revolutionary Pancho Villa made headlines, not with a battle or a fiery speech, but with something very different: a movie contract.

Villa signed a \$25,000 contract with Mutual Films giving them exclusive rights to cover his army. According to its terms, all other cameramen were banned from coming on Villa's campaign, and the general was guaranteed a percentage of the gross.

All that without an agent.

Four cameramen were dispatched to join up with Villa's army. The general obligingly held off an attack on the town of Ojinaga until they got there. He also agreed that if Mutual couldn't get good enough pictures during actual battles, he would stage them.

Mutual decided to make a film about Villa's life, and the general agreed to play himself—even though he was still leading an army in battle! Mutual felt Villa's sloppy old clothes didn't come across well on film, so they gave him a snappy new uniform he was happy to

wear. When producers complained that executions at dawn were too hard to film. Villa moved the shootings to later in the day, when there was better light. A location manger's dream.

One journalist called it "the war waged to make a movie." In reality, it was Villa's way of trying to finance his revolution- and generate some good PR. The general was portrayed in Mutual's movies as a hero until his invasion of the U.S. in 1916. After that he became a first-class villain.

That's showbiz.

*Villa lost most of his support when he invaded the town of Columbus, New Mexico, in 1916, killing seventeen people. His goal was to prompt a U.S invasion of mexico that would anger Mexicans and inspire them to flock to his banner. It worked like a charm.*

The Greatest War Stories Never Told By Rick Beyer

## Weekly Market Commentary July 6, 2020

### The Markets

What a quarter!

Who could have guessed a global pandemic would produce outsized stock market returns? Near the end of last quarter (March 23), the Standard & Poor's 500 Index was down 30.75 percent for the year, and it looked like 2020 was going to be a disappointing year for many investors.

Since then, the S&P 500 has gained 39 percent, reported *The Economist*. It rose 20 percent from March 31 to June 30. The Dow Jones Industrial Average also did well, delivering its second best quarterly showing since 1938. The Nasdaq Composite finished the quarter in positive territory.

A variety of factors contributed to the exceptional performance of U.S. stock markets during the quarter:

- **The Federal Reserve maintained a supportive monetary policy stance.** It has been buying Treasuries and mortgage-backed securities and funding emergency loans.
- **The \$2 trillion emergency spending package passed by Congress had impact.** Stimulus checks, enhanced unemployment benefits, and emergency loans plumped personal income and supported businesses through second quarter closures.
- **Positive data suggested economic recovery might be underway.** In the United States, unemployment numbers improved, although they remained at historically high levels. Factory activity in China hit a three-month high, and the June Purchasing Manager's Index in the United States came in above expectations.

Supportive central bank policies helped global economies during the second quarter, too. Stock markets in many regions, including Europe, China, and Japan, finished the second

quarter higher. Positive economic data, optimism about coronavirus treatments, and hopes for a vaccine helped push markets higher, reported *T. Rowe Price*.

Consumer confidence also contributed. Callum Keown, Nicholas Jasinski, and Carleton English of *Barron's* reported:

"On Tuesday, the Conference Board reported an 11-point rise in the June consumer confidence index, to 98.1 points. Economists' consensus estimate had been for a 90.6 reading. American households remain more optimistic about the future than their current circumstances: the present situation index component of the survey rose 15.1 points, to 86.2, while the expectations index rose 9.1 points, to 106."

It is possible consumer confidence in the United States will be dented by the recent upsurge in coronavirus cases. Last week, the spread of COVID-19 was gaining momentum again. Every day, from Wednesday through Saturday, more than more than 50,000 new cases were confirmed.

Many states and cities implemented new measures to slow the spread. One of the most important may be mask wearing. Researchers at *Goldman Sachs* reported:

"Thus, the upshot of our analysis is that a national face mask mandate could potentially substitute for renewed lockdowns that would otherwise subtract nearly 5 percent from GDP. It is important to recognize that this estimate is quite uncertain because it is based on a number of statistical relationships that are all measured with error. Despite the numerical uncertainty, however, our analysis suggests that the economic benefit from a face mask mandate and increased face mask usage could be sizable."

Data as of 7/3/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	4.0%	-3.1%	5.3%	8.8%	8.6%	11.8%
Dow Jones Global ex-U.S.	1.8	-10.3	-5.4	-0.7	0.3	2.9
10-year Treasury Note (Yield Only)	0.7	NA	2.0	2.3	2.4	3.0
Gold (per ounce)	1.5	16.4	25.4	11.5	8.7	3.9
Bloomberg Commodity Index	3.8	-18.9	-15.9	-7.6	-8.4	-6.3

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.

**LET'S ALL GO TO THE DRIVE-IN!** Americans' search for socially-distanced entertainment is leading them to drive-in theaters. Demand has been strong enough that pop up drive-ins are opening in sports venues, arenas, and fairgrounds across the United States, reports Sara Fischer of *Axios News*.

In the 1950s, there were more than 4,000 drive-in theaters in the United States. By October 2019, the number had dwindled to 305. More than one-third were concentrated in Pennsylvania, New York, Ohio, Indiana, and California, according to the *United Drive-In Theater Owners Association*.

Outdoor movie theaters tend to operate on razor-thin margins, reported *The Washington Post*. "...Drive-ins in the 21st century have flourished in more working-class and rural areas where land is cheaper and the venue appeals to families seeking to pile in the car for a night of inexpensive entertainment."

Now, we're seeing a resurgence of interest in outdoor movie venues. The sponsor of the Tribeca Film Festival has partnered with big box stores. They'll be bringing "...the big screen to America's backyard this summer..." by offering movies in store parking lots.

So, set up the lawn chairs or deck out your cargo space with pillows and blankets, and settle in to watch some movies from a safe social distance in the great outdoors.

## **Weekly Focus - Think About It**

"Outside of a dog, a book is a man's best friend. Inside of a dog it's too dark to read."  
--*Groucho Marx, Comedian*

Best Regards,



Brian Everett  
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\* 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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