



QUARTERLY NEWSLETTER [Q2 2020]

At-A Glance:

The Dow Industrials gained 18.51% in the second quarter, **its best quarter since Q4 1987.**¹

The tech-heavy Nasdaq Composite **surged 30.95% over the last three months**, its strongest quarter since Q4 2001.¹

Fixed-income credit markets were **spurred by stimulus purchases** in corporate bond-based ETFs (split 88% in investment-grade and 12% in high-yield).¹

At quarter end, gold spot prices **briefly topped \$1,800/oz.** for the first time in eight years.¹

Details:

As American businesses began to reopen, the S&P 500 more than completely erased its 19.60% first quarter loss, posting a 20%+ return over the last three months – its best quarterly performance since Q4 1998. Even so, Wall Street optimism remains challenged by deteriorating trade relations with China and the accelerating pace of new U.S. COVID-19 infections in at least 37 states. Increased testing and easing of social distancing policies was bound to reveal more confirmed cases, now surpassing 10 million globally, and the World Health Organization warned that the worst is yet to come. While over 120,000 Americans have lost their lives to the contagion, U.S. coronavirus fatalities had fallen to a new daily low of 273 in late June before likely increasing in the coming months.¹

Equities got a lift from a bevy of improving economic data, including a twelve-point jump in U.S. consumer confidence in June to 98.1, by far the largest monthly increase since October 2011. The forward-looking expectations index jumped to 106.0, back near its 108.1 reading in February before the COVID-19 contagion took hold. Earlier, retail sales surged nearly 18% in May, surpassing projections for a smaller 8% rebound. Additional backstopping in the credit markets by the Federal Reserve also boosted investor sentiment. The central bank augmented its Secondary Market Corporate Credit Facility by beginning to directly buy up to \$750B of investment-grade corporate bonds.

Did You Know:

Growth stocks have recently outperformed value stocks but that is not always the case¹:

-in 2Q the Russell 1000 Growth index rose +27.8%, almost 2x the +14.3% gain of its Value counterpart

-for the 10 years ended 6/30/2020, the Growth index also widely outperformed (+17.2% vs +10.4% annual gain) as interest rates fell to record lows for an extended period; however, for the 10 years ended 6/30/2013 Value stocks rose +7.8% annually vs +7.4% for Growth stocks.

-even more astounding is the historical data summarized in a Bank of America research report which showed that, for the 90 years from 1926-2015, Growth stocks averaged a very respectable 12.6% annual gain; but, Value stocks averaged a much higher +17.0% annual gain during this same time.

What We Are Doing For You:

Staying the course but paying attention.

We have kept our focus on your financial plans and avoided the temptation to abandon stocks or make other short term market timing moves. We do continue to make changes to how we fund your monthly cash needs to preserve assets and not sell from lower valued mutual funds. While nobody likes to see losses in their account, we are pleased with our work to “make lemonade from lemons” by swapping losing funds into other assets to “harvest” the tax losses to offset future gains that have actually grown nicely in the past few months.

On a personal note

Bernie Coronavirus forced cancellation of several trips in May and June. Undeterred, Bernie and Jody are enjoying a driving trip to Oregon to visit daughter Jenny then spend some time in Central Oregon. Scenic highlights of the trip included an 8.7 mile hike on the Trail of Ten Falls, and two gorgeous alpine lake hikes in the Sisters Wilderness area.

Damien Like most everyone Damien and his family has been sheltering in place for much longer than anticipated, but it was still a very exciting time for the family as his son, Nick, graduated virtually from high school and received all of his college application results. Nick has decided to go to Cal this fall. It will certainly be a far from normal freshman year but he is very excited nonetheless. His mom is very happy to have him so close to home. He will be living in Berkeley with a good friend from high school that is also starting at Cal. The dorms were several limited due to COVID-19 protocols so they will have their own apartment near campus. Not bad for a couple of freshman but it remains to be seen if they will be able to feed themselves adequately! Daughter, Natalie, had had enough of being back home with her parents (can't blame her) and she is now back in LA living with some friends for the rest of the summer and taking some online classes at UCLA.

Debbie At the start of August, Debbie and Dave will complete their last 94 mile section of backpacking the John Muir Trail. It should take about 10 days and thankfully social distancing is not a big problem in the vast Sierra mountain range. In June, Debbie completed her first 50 mile ultra trail run at Mount Shasta. It was hard but exhilarating. Debbie and Dave are thankful that both their boys are still employed and have compassion for others who are out of work right now.

Zack Zack hopes that everyone is staying safe during these difficult times. During times of quarantine Zack has done what is allowed for exercise and hiking outside. Walter, Zack's pup, is loving the extra walks. Zack is looking forward to everything going back to normal, he feels we are all going to bounce back from this and that our new normal will be a better one.

*We appreciate your continued trust and confidence.
Do you have any questions or concerns? Please feel free to contact us any time.*



Bernard Smit, CFP®, ChFC **Damien Couture, CFP®, ChFC** **Debbie Pursey, MBA, CFP®, AIF®** **Zachary Weirich, Financial Advisor**

S&P 500 - 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 views stated in this newsletter are not necessarily the opinion of Cetera Advisor Networks LLC and should not be construed directly or indirectly as an offer to buy or sell any securities mentioned herein. Due to volatility within the markets mentioned, opinions are subject to change with notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Past performance does not guarantee future results. Opinions expressed are not intended as investment advice or to predict future performance. Additional risks are associated with international investing, such as currency fluctuations, political and economic stability and differences in accounting standards all of which are magnified in emerging markets. Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods. Investors cannot invest directly in an index. 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. All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.

¹ The source for market statistics cited in this newsletter is the Cetera Investment Management Q2 2020 Quarterly Recap Commentary.

1850 Mt. Diablo Blvd., Ste 170 • Walnut Creek, CA 94596 • T 925.280.1800 • F 925.280.1801 • www.WALNUTCREEKWEALTH.COM

*Financial Advisor of and offers securities and investment advisory services through Cetera Advisor Networks LLC (doing insurance business in CA as CFGAN Insurance Agency), member FINRA/SIPC, a Broker-Dealer and Registered Investment Advisor. Some advisory services also offered through Walnut Creek Wealth Management RIA. Walnut Creek Wealth management is independently owned and is not owned or operated by Cetera Advisor Networks.
Bernie Smit CA Insurance Lic #0697139, Damien Couture CA Insurance Lic #0793162, Debbie Pursey CA Insurance Lic #0F29782*