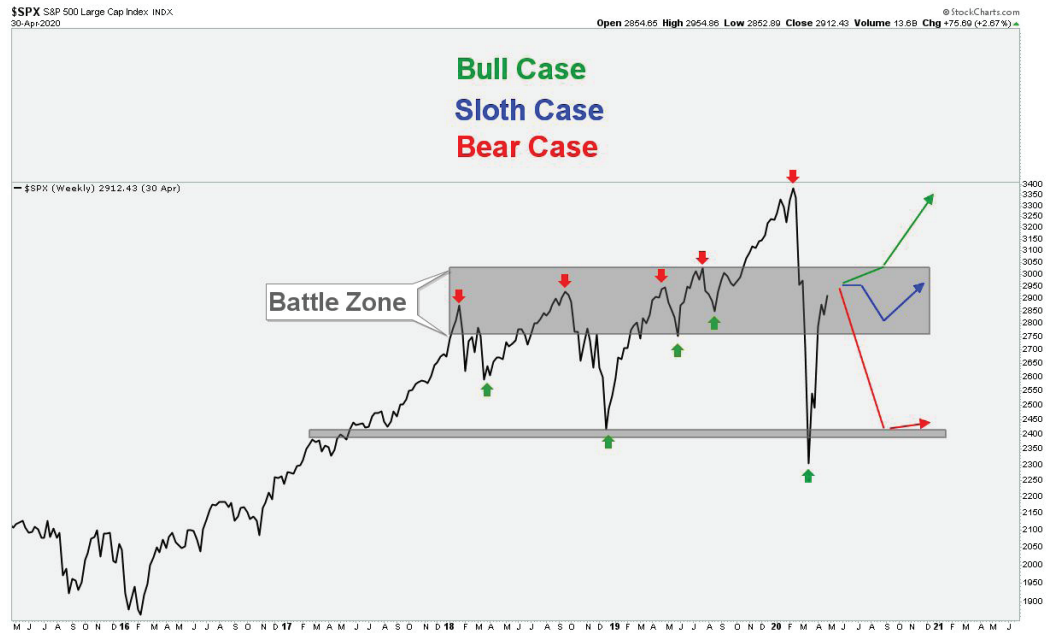


COMMENTARY

First off, we all send our thoughts and support to the frontline workers and hope you and everyone in your life are staying safe and healthy during this global pandemic.

When a bull (the animal in this case) attacks, it thrust its horns upwards while charging and a bear (animal) swats downward with its claws. I recently read this regarding the naming of the bull and bear market, and I am not 100% sure this is where a bull and bear market naming comes from, but it sure makes a lot of sense.

These are the well-known 'market animals.' The lesser known sideways or neutral market animal is the sloth, which represents slow moving and no price action. I doubt anything is in the next few months will 'feel' like a sloth as we expect volatility to remain high, but we may look back in 6-9 months and see that nothing has really changed. In this month's newsletter, we are going to layout the argument for all three cases – bull, bear, and sloth. And to not bury the lede, but until this 'battle' zone is won between the bull charging with its horns upwards or the bear swatting down with its claws, we'll assume the sloth market (maybe on 5 cups of coffee) is what we're going to get.



Bear Case – the bear case is simple and centers on the coronavirus. We still need to wait and see if this current market rally, from the lows in March, ends up being a relief rally as we enter a typically weaker part of the market season (sell in May and go

ECONOMIC HIGHLIGHTS

S&P 500	2,912.43
DIJA	24,345.72
NASDAQ	8,889.55
OIL	\$18.84/BARREL
GOLD	\$1,694.20/OUNCE
10-YEAR TREASURY FIELD	0.62%
UNEMPLOYMENT	4.40%
GDP	-4.80%
CONSUMER PRICE INDEX (CPI)	-0.4% (12 MO CHANGE +2.3%)
CORE CPI	-0.1% (12 MO CHANGE +2.3%)



The U.S. has flattened the curve and we are seeing slower growth in cases of COVID-19. Other major countries around the world have seen significant slowdowns in the number of new cases. In addition, drug companies, academics, and governments around the world are working tirelessly to develop and test treatments to combat COVID-19.



Across the country, states are beginning to reopen their economies. The scope of each state's reopening varies, along with the precautions being taken. As these plans unfold it will become clearer what the best approach is to start the journey back to "normal".



In the U.S., over 30 million people have filed for unemployment in the last 6 weeks. For comparison, about 9 million jobs were lost during the Great Recession.

away). We could see stay-at-home orders extended for longer and furloughed employees become unemployed. Companies and earnings could be hurt more than investors are pricing in, and the global economic slowdown could be more severe. Governments would need to step in to soften the landing, but more time would be needed to pull the global economy out of what would become a longer recession than most are expecting.

Bull Case – with massive stimulus we have seen from the Fed laying the new foundation for this recovery, the long-term looks good pending a solution to COVID-19. In the short-to-intermediate term, if there are medications or other medical treatments available to combat COVID-19, investors could start to price in more positive forward-looking earnings over the next twelve months and the market will likely rally. Market breadth has been improving and we believe we are still inside a long-term secular bull market. With the amount of time, money, and effort dedicated to science and medicine to find treatment options for COVID-19, I think a solution happens sooner than later.

Sloth Case (on coffee) – Could we see a scenario where the Bears are defending the S&P 500 level of 3000-3050 and the Bulls are defending S&P 500 level of 2800-2850 and we have swings between 200-300 points and really not move anywhere? Absolutely! Take a few points from the Bear case and a few points from the Bull case and we could see this scenario. Investors could re-position themselves for a ‘new norm’ and we could trade sideways for the rest of the summer which leads us right into the U.S. Presidential Election.

From a tactical portfolio position, we are currently positioned more bullish and with our disciplined rebalancing process we were adding to equities and selling fixed income as the market was falling in March. We are seeing a few accounts start to become overweight to equities and have been following our process and selling equities and buying fixed income. From a tactical portfolio position, we are ready to act quickly if the equity market starts to rollover and we see the Bears starting to take control of the market. Long-term we see opportunities in the high-yield fixed income market. We exited high yield about 12-18 months ago as the risk/reward did not seem attractive when spreads (the amount of interest received over that of a treasury bond) was around 3.5-4.0%. With the impact from COVID-19 and crude oil prices falling through the floor, the risk/reward is now much more attractive with spread levels on any given day at 8.0-10.5%. The high yield trade is not a short-term play and something we would expect to have in the portfolio for the next 3-5 years, depending on the spread and risk/reward. Active management is key in the high yield space to avoid companies that have weak balance sheets. We also expect this to be a bumpy for the first few months, but the long-term benefits should outweigh the short-term bumps. From a portfolio positioning standpoint, we are always looking for opportunities both in the intermediate-term and long-term. We continue to monitor accounts daily and are committed to our rebalancing process.

MARKET TRACKER

INDEX	3 MO	1 YR	3 YR	5 YR
S&P 500	-9.26%	0.86%	9.04%	9.12%
MSCI EAFE	-16.09%	-11.34%	-0.58%	-0.17%
BAR AGG BOND	3.00%	10.84%	5.17%	3.80%



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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

JEN@GBAFINANCIAL.COM
217.498.8575 | 855.778.8883
FAX: 217.498.9299



ROCHESTER STATION
203 SOUTH WALNUT / PO Box 528
ROCHESTER, IL 62563