PRIVATE CAPITAL GROUP LLC

Private Capital Group Q2 2020 Newsletter

The first half of 2020, filled with many “once in a generation” events, will be recognized as one of the most challenging and extraordinary times in modern history. Continuing off the first quarter of 2020, Q2 2020 tested humankind economically, medically, and socially.

The COVID-19 pandemic has triggered one of the sharpest, yet seemingly shortest, recessions in history. A combination of social distancing and extreme medical uncertainty has left over 40 million Americans unemployed, translating to a 14.7% national unemployment rate at the peak. Some experts estimate that this recession has had a roughly 12% absolute decline in output, which is roughly three times the impact of the Great Financial Crisis ending in 2009. Medically, the virus has devastated every country. Over half a million people worldwide, and over 133,000 people in the U.S., have succumbed to the virus. The U.S. has also faced many hurdles and challenges in its responses to racial inequality, among other social justice issues.

While much uncertainty still lies ahead, including but not limited to, concerns around potential trade wars, Big Tech and anti-trust lawsuits, COVID-19 resurgences and phased openings halted, millions still unemployed, and travel limitations, we must also recognize the significant steps we have taken, and many highs and lows for Q2 2020. The U.S. stock market saw many record-breaking worst and best trading days in history. Crude oil dropped negative for the first time in history to -$37.63 a barrel in April before reaching over $40 per barrel in June. Gold was valued above $1,800 for the first time since 2011. Over 10 companies are working on COVID-19 vaccines, and over 25 companies are working on COVID-19 treatments. Dr. Fauci has even stated that it is looking credible that a vaccine could be possible by the end of 2020. Even though stock market volatility will likely remain on the horizon, we must note that we have given way to a new early-cycle phase. Monetary policy has been massive and unprecedented, while additional support may continue to ease our road to recovery.

Second Quarter 2020: Market Update

Financial Market	Q2 2020	YTD 2020
S&P 500 (Domestic Stocks)	20.54%	0.94%
EAFE (International Stocks)	15.08%	-7.64%
U.S. Government/ Credit Intermediate Bonds	2.81%	5.21%

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Incredible Rebound

After a devasting blow to the stock market at the end of Q1, all three major U.S. indices have seen astonishing rebounds. The advance marked the index's best overall quarter since 1998. Dow Jones saw its best quarter in 33 years, jumping 17.5%. The S&P surged nearly 20% in Q2 and saw its best quarter since Q4 of 1998. NASDAQ also saw record highs and above 10,000 for the first time. Tech stocks are driving the rebound. The NASDAQ is up 12.11% YTD and above 10,000 for first time ever.

Not only have we seen a better-than-expected rebound in all three major stock indices, the June Jobs Report numbers had shattered expectations by 1.8 million jobs, adding back 4.8 million jobs. Over the months of May and June, the U.S. economy has added a total of 7.5 million jobs, according to the Bureau of Labor Statistics. Both May and June are ranked as the two largest monthly job gains on record. Unemployment also fell by 2.2 percentage points in June to 11.1%. Although many of these jobs added can be attributed to the recent re-opening of parts of the economy, many experts suggest that they also signal the U.S. economy is heading in the right direction.

Monumental Fiscal and Monetary Policies

The swift and immense coordinated monetary and fiscal policy responses have added to recent market positivity. With the initial injection of $2 trillion at the beginning of the quarter, the U.S. fiscal policy already exceeded the total spend of its response during the 2008-2009 global financial crisis. A "Phase 4 Stimulus Package", or "Stim 4", may be on the way to Americans soon. Some items included in this bill will focus on industries devastated by COVID, especially the hospitality industry, but much is yet to be seen for what Congress will ultimately bring to the President's desk.

The Fed Chair, Jerome Powell, continues to state that the Federal Reserve will do what is necessary to help us through these uncertain times. Already, the Federal Reserve has taken steps to help the U.S. economy combat COVID-19 including cutting the federal funds rate to a range of 0-0.25%, opening or expanding a very wide range of facilities designed to support different parts of the bond market, and adding dramatically to its balance sheet, including a roughly $2 trillion increase in holdings of Treasury bonds, and an overall Federal asset growth of roughly $3 trillion. The Fed's current stance on monetary policy is suggested to be the most expansionary in its 107-year history.

Cooler Heads Prevail

As we have seen over Q2, the financial markets are extremely resilient. Experts suggest that we have emerged out of the quickest bear market ever and are now possibly stepping into a new bull market. With that being said, we must remember that COVID is still a very real threat to our global health and economy.

Market volatility persists, and some states and counties have halted their next re-opening phases.

Historically, a long-term view of investing has shown to help mitigate the impact of market volatility. Since 1975, the S&P 500 has experienced losses in only 10 of the 45 years. Investors who stand firm on the long-term view of investing have historically experienced a much higher rate of success and financial well-being. We must remember that emotional investing may hinder potential long-term returns. Temporary shocks and market downturns, similarly to the one we saw induced by COVID-19 at the end of Q1 2020, occur every so often. Major market disruptions, including the Great Depression, Black Monday, the tech bubble, and the financial crisis, have all been followed by investors experiencing gains, as long as they stayed the course with their long-term investing strategy. Successful investing is not measured in days, but in decades. We recognize the magnitude of the current situation and fully expect additional uncertainty and volatility which fosters financial concerns. One premise of a diversified portfolio is to avoid dramatic losses and allow for time to work on your side in a recovery. Think long term.

Private Capital Group would like to take this moment to thank you for continuing to put your faith in us. PCG remains committed to you and your family's financial well-being during this tumultuous time. Our entire team is devoted to providing the best possible service and care for you, our valued clients.

Please contact anyone at PCG with any questions about your specific needs. Stay safe and healthy.

7/10/2020