



As the number of new infections and deaths reported each week was trending downward through early June, the S&P 500 continued a bull market run that started in late March. When states began to reopen, investors seized on the optimism that our worst pandemic days were behind us. But a recent surge in reported infections in the heavily populated states of Texas and Florida forced the hand of their governors, causing stock investors to take notice. With just 2 trading days remaining in the first half of 2020, the S&P 500 is down 6% YTD (total return). Stock valuations, at least for last week, seemed to reflect the economic reality faced by many Americans nationwide (source: BTN Research).

Millions of US homeowners got in over their heads financially during the global real estate crisis that began in 2008. Too much mortgage debt and not enough cash flow for distressed homeowners resulted in lenders repossessing 1.1 million homes in 2010 alone. The pandemic has caused 15.2 million Americans to lose their jobs in the last 3 months. Not surprisingly, the number of Americans more than 30 days behind on their monthly mortgage payments as of May 2020 is at its highest level since November 2011 (source: Black Knight Inc.).

The response of the US Federal Reserve to the economic impact of the COVID-19 pandemic has been historic. By the end of 2020, the Federal Reserve is forecasted to inject \$5 trillion into the US money supply, largely in the form of low-cost loans for businesses, individuals, states and municipalities (source: BTN Research).

Notable Numbers for the Week:

1. **MASSIVE JOB LOSSES** - First-time applications for unemployment benefits in the last 3 months through 6/20/20 (**47.2 million**) were more than **15 times** the number of first-time applications for jobless benefits filed (**3.1 million**) in the 3 months before the pandemic struck the United States (source: Department of Labor).
2. **HE SAID IT** - Scott Pelley of “60 Minutes” asked Fed Chair Jay Powell on 5/17/20 “**where does it (the money flooding our system) come from?**” Powell responded “**We print it digitally. So as a central bank, we have the ability to create money digitally. And that actually increases the money supply**” (source: 60 Minutes).
3. **MONEY MULTIPLIER** - When the Fed **acquires assets** from banks, e.g., Treasury securities, the Fed issues **electronic credits** to the banks in exchange for the assets. Banks **use the money from the asset sale to make loans of 10 times** the amount of **money digitally created** by the Fed (source: Federal Reserve).

4. **A LOT BIGGER** - The Fed's balance sheet reached **\$6.14 trillion** as of 6/24/20, up from **\$3.89 trillion** as of 3/11/20, largely the result of **purchases of Treasury securities** (source: Federal Reserve).

06/29/2020

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Private Capital Group, LLC ("PCG"), or any non-investment related content, made reference to directly or indirectly in this communication will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Information contained in this communication is based on data gathered from what we believe are reliable sources. It is not guaranteed by PCG as to accuracy, does not purport to be complete, and is not intended to be used as a primary basis for investment decisions. Further, you should not assume that any discussion or information contained in this communication serves as the receipt of, or as a substitute for, personalized investment advice from PCG. To the extent discussed herein, investment indices are unmanaged and cannot be purchased directly. Historical performance results for investment indexes and/or categories are included for informational purposes only and generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. PCG is neither a law firm nor a certified public accounting firm and no portion of the communication should be construed as legal or accounting advice. A copy of the PCG's current written disclosure Brochure discussing our advisory services and fees is available upon request.

**Please Note:** If you are a PCG client, please remember to contact PCG, in writing, if there are any changes in your personal/ financial situation or investment objectives for the purpose of reviewing/ evaluating/ revising our previous recommendations and/ or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. PCG shall continue to rely on the accuracy of information that you have provided.

**Disclosure from our Author:**

Investment advisory services offered through PCG, a registered investment advisor. This e-mail may include forward-looking statements that are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied. The above communication is written by Michael A. Higley. Any comments, opinions or facts listed are those of Mr. Higley.

If you do not want to receive further editions of this weekly newsletter, please contact Private Capital Group at 860.561.1162, or e-mail: [privatcapitalgroup@pcgct.com](mailto:privatcapitalgroup@pcgct.com), or write to us at Private Capital Group, LLC, 29 S. Main Street, West Hartford, CT 06107.