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July 2, 2020

SECOND QUARTER MARKET REVIEW

The financial markets have worked overtime to discount an inordinate amount of new information in real time to assess the future global economic picture. When this quarter began, the stock market was just beginning to pick itself up from one of the worst and quickest declines in history. The 30% decline of the S&P 500 Index from February 19 to March 23 this year was an indication of just how weak the economy would be in the second quarter.

The economic numbers released over the past three months confirmed the story the stock market predicted. The unemployment rate peaked at 14.7% as over 20 million jobs were lost in the economic lockdown. The housing market saw large declines in both starts and permits for new homes. The consumer, who had been the engine for economic growth, was essentially shutdown causing consumer spending and consumer confidence to plunge in the second quarter. First quarter GDP fell 4.8% and second quarter GDP is expected to decline by an astounding 50.0%. Two consecutive quarters of negative GDP growth officially qualifies as an economic recession. This will mark the first recession since 2008/2009.

The headlines reminded us how bad things were, but the market began to shed light on how good things could become. The volatility experienced in the last week of the quarter also suggested we are not out of the woods just yet. There is still a wall of worry the market needs to climb. Signs of a second spike in coronavirus cases seem imminent as some states are slowing or partially reversing their economic reopening plans. A therapeutic and eventually a coronavirus vaccine are still a few quarters away. The 2020 election combined with social unrest and China tension creates a recipe for continued volatility in the second half of the year.

Despite all the current news and anxiety, the stock market had an excellent quarter as it looked toward a better future. This was actually the best quarter since 1987. The technology-heavy NASDAQ led the way with returns just over 30% and surpassed the 10,000 mark for the first time. The S&P 500 and the Dow Jones Industrial Average posted gains of nearly 20% in the second quarter. International stocks participated in the comeback quarter with international developed stock

markets rising 14.9% and emerging markets adding 18.1% in the past three months, as measured by the MSCI Indices.

The bond market entered the quarter on the heels of the Federal Reserve's rapid move to zero on key short-term interest rates. With the interest rate floor firmly in place, rates experienced a quarter of relative quiet. The yield curve remains positively sloped and interest rates ended the quarter basically where they began. The 2-year U.S. Treasury note declined seven basis points to yield just 0.16% at quarter end. At the longer end of the yield curve, the10-year note fell four basis points to yield 0.66% and the 30-year U.S. Treasury bond rose six basis points to yield 1.41% on June 30, 2020. The real action in the bond market was found in the credit markets. Both high yield and investment grade corporate debt saw a significant tightening in credit spreads. Investment grade corporate bond spreads, as revealed by the Bloomberg-Barclays Long Term US Treasury Index, were basically halved from 3.15% at the start of the quarter to 1.61% at quarter end. Spreads on high yield bonds, as revealed by the Bloomberg-Barclays High Yield Bond Index, collapsed 2.00% sending their bond prices significantly higher.

When this year began, no one could have predicted the economic path traveled in just six short months. Now that we are here, it may be a perfect time to reflect on your financial plan, investment goals and objectives and to decide on your plan moving forward. Risk tolerance is a widely used term in the investment profession. There are numerous ways the industry tries to quantify this and help investors establish a personal financial risk assessment. While this is an important exercise, the best risk tolerance questionnaire cannot capture how you tolerated the volatility in the markets during the past six months. Consider taking a moment to reflect on 2020 to date. How did you handle the emotional aspect of these wild swings in valuations? How did your portfolio perform relative to your expectations? Did your current income and liquidity support your current lifestyle?

The first quarter was the test. The second quarter provided an opportunity to change your answer. The next two quarters will have new surprises and the heightened volatility will likely persist. Keep yourself healthy, safe and invested at a risk level that supports your emotional and financial well-being.

MARKETS BY THE NUMBERS:

Index	*June, 2020*	*Trailing 12 Months*
S & P 500	1.99%	7.51%
Dow Jones Industrial Average	1.82%	-0.54%
NASDAQ Composite	6.07%	26.94%
MSCI EAFE	3.40%	-5.13%
MSCI Emerging Markets	7.35%	-3.39%
Bloomberg Barclays U.S. Aggregate Bond	0.63%	8.74%
Bloomberg Barclays U.S. Corporate High Yield	0.98%	0.03%
Bloomberg Barclays Municipal	0.82%	4.45%
Bloomberg Commodity	2.28%	-17.38%

Source: Morningstar

Total Returns as of June 30, 2020

An Index cannot be purchased directly by investors. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice. This information is for educational purposes only. There are risks involved with investing, including loss of principal. Diversification may not protect against market risk.