



EVERETT FINANCIAL GROUP

Weekly Commentary

July 1, 2020



Bees In Battle

In the closing stages of the Thirty Years 'War, a Swedish army assaulted Kissengen, a walled city in Bavaria. The desperate defenders responded by throwing beehives off the wall into the ranks of the swedes, who were forced to retreat in the face of stinging attacks from the angry swarm that enveloped them.

This was hardly unprecedented. When faced with the question "To bee or not to bee?" armies throughout the ages have consistently answered in the affirmative. The Romans frequently loaded their catapults with beehives and launched them upon their enemies. King Richard the Lionhearted did the same thing against the Saracens during the Crusades. The Saxons, the Moors, and the Hungarians also used them in various battles.

Bees have been used at sea as well. There is at least one recorded instance of sailors on a small ship in the Mediterranean climbing the rigging and throwing beehives down onto the deck of an attacking galley, instantly turning the tables on the larger ship.

Bee warfare hasn't gone out of style, either. Both sides in Vietnam created fearsome booby

traps using hives of Asian honeybees, larger and more ferocious than their Western cousins. And at the dawn of the twenty-first century, pentagon scientists are trying to recruit bees into the war on terror, training them to sniff out explosives. They hope the bees will be able to uncover landmines and bomb factories.

That would be a honey of a trick.

Bees may look fierce, but the truth is that they tend to respond only when provoked. Hives handled with care could be transported or loaded on a catapult with little problem. Once dashed against a wall or on the ground, however, their peace-loving populations turn into winged warriors seeking venomous vengeance.

The Greatest War Stories Never Told By Rick Beyer

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The Markets

Blame it on the coronavirus.

Stock markets in the United States and Europe retreated last week as the number of new COVID-19 cases increased steadily in America. On Thursday, there were more than 44,000 new cases, the highest daily total to date, according to data from the *Centers for Disease Control*.

"The turn has created a new puzzle for investors, many of whom had started focusing on 2021 earnings expectations as the next performance-driver for stocks. The old market gauges, like manufacturing surveys, jobs tallies, and retail sales, feel like lagging indicators. The new leading indicators deal with the disease. Yet tracking its progress is tricky even for epidemiologists who have studied these issues for decades," reported Avi Salzman of *Barron's*.

Another piece of the investment puzzle was reshaped when the Federal Reserve (Fed) released bank stress test results last week. It found most banks were likely to remain well-capitalized if economic growth rebounds relatively quickly. However, in a worst-case economic recovery scenario, banks did not fare as well. Consequently, the Fed suspended share buybacks and capped the dividends banks can pay investors, reported Alexandra Scaggs of *Barron's*.

"The Fed...also said future payouts would depend on bank earnings - and bank earnings will start to look worse as pre-coronavirus quarters drop out and are replaced by COVID-impaired results. Even that decision might not have been a problem if the market believed the spread of COVID was under control. Then the numbers started coming out. Florida's seven-day average of cases grew 7.8 percent, up from the previous day's 4.1 percent. Arizona's jumped to 5.4 percent, from 2.9 percent. In Texas, the positivity rate - that is, the number of tests divided by positive results - hit 11.8 percent," reported Ben Levisohn of *Barron's*.

Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, dispelled the notion this is a second wave of the virus. He told

The Wall Street Journal, "People keep talking about a second wave... We're still in a first wave."

Data as of 6/26/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.9%	-6.9%	3.3%	7.3%	7.4%	10.9%
Dow Jones Global ex-U.S.	-1.1	-11.9	-5.7	-1.4	-0.5	2.3
10-year Treasury Note (Yield Only)	0.6	NA	2.1	2.1	2.5	3.0
Gold (per ounce)	0.7	14.8	24.5	12.0	8.4	3.3
Bloomberg Commodity Index	-2.1	-21.8	-21.1	-7.5	-9.0	-6.9

Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

COLLEGE SPORTS BUDGET CUTS. College and university campuses across the world are facing serious financial shortfalls. "Revenues are plummeting as students (particularly international ones) remain home or rethink future plans, and endowment funds implode as stock markets drop," reported Alexandra Witze in *Nature*.

One way some schools are trying to balance budgets is by cutting sports programs. Kendall Baker of *Axios News* reported athletic directors and conference commissioners are brainstorming ways to lower spending, including reducing travel by focusing on regional play and eliminating conference championship tournaments. The sports affected may include:

- Field hockey
- Men's and women's soccer
- Men's and women's tennis
- Women's lacrosse
- Softball
- Baseball

During the past 12 weeks, 43 Division I teams have been eliminated from the NCAA, reported Baker. "Men's and women's tennis have been hit the hardest, as have Olympic sports like volleyball. That could affect future podiums: 88 percent of American athletes in the Rio Games had played their sport in college."

Power 5 conferences, which include the Atlantic Coast, Big 12, Big Ten, Pac-12, and Southeastern Conferences have not yet eliminated a sports team. That may change if the highly lucrative football season is cancelled due to COVID and television deals, which account for about a third of revenue, disappear.

A source cited by Ross Dellenger and Pat Forde of *Sports Illustrated* suggested the accounting may deserve a closer look. So-called 'non-revenue generating' sports often generate income for colleges and universities because many athletes pay tuition:

"While trimming their own budget, athletic directors are often hurting their university's bursar office. Sure, eliminating a men's track team might save \$1

million a year in the athletic budget, but what is it costing the academic side...A track team could be generating over \$1 million to the university side."

Weekly Focus - Think About It

"Do not judge me by my successes, judge me by how many times I fell down and got back up again."

--Nelson Mandela, Former President of South Africa

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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