**Market Summary:**

The first half of 2020 has been a stress-filled, action-packed 6 months.  Investment volatility was extremely high in the first quarter and has been more muted in the second quarter.  Some sectors, particularly  technology and anything cloud or internet based has outperformed most expectations.  Other sectors lag behind.  Here is a score card for 2020 through June 30th:

S&P 500                       -3.04%   (500 largest US companies)

Dow Jones Industrials -9.50%   (30 stocks representing our Industrial complex)

Nasdaq                        +12.1%  (Technology heavy index)

Russell 2000                -13.6%  (small US companies)

EFA Index                    -12.3%, (World excluding USA and Canada)

US Bond Index             +5.25% (Fixed Income)

The US markets have experienced better recovery from the market correction than the rest of the world, so far.  I think this recovery can be credited to the 3+ trillion dollar Care Act enacted in early April.  The result has been a rapid V recovery in major indexes, especially the technology sector.  Eventually, earnings growth will need to substantiate stock prices.  I would argue that many companies, particularly the most loved names in the technology space (i.e. Apple, Amazon, Tesla) have become wildly overpriced, because, while stock prices have recovered, earning, for the most part, have not.  Many companies have withdrawn guidance on their future earnings because the economic turmoil caused by Covid-19 has made future results unpredictable.  The Payroll Protection Plan or PPP may have saved many small businesses from collapse, but many small companies may face financial trouble later this year.  I expect the default rate for high yield bonds to rise in the coming months which is why I sold off most high-yield investments last quarter.  Additional investment in fixed income should prioritized quality.  With governments worldwide creating more debt in efforts to stimulate economies, precious metals and commodities may continue to appreciate.  Inflation has not been an issue, but it may be a natural consequence of this fiscal policy.

The Security and Exchange Commission, SEC, requires that we deliver certain documents to our clients annually.   Per these requirements, the following documents are included in the communication :  1) Privacy Policy, 2) Summary of Annual Changes to our Disclosure Brochure, 3) Customer Relationship Summary or CRS.  No response is required on your part on these documents.

Thank you for your business.  We welcome your responses to this e-mail or call anytime to review your portfolio or to address other financial issues, 800-969-8939.

Sincerely,

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