

August 6, 2020

Dear Valued Investor,

The battle versus COVID-19 continues. The spread in some of the recent hotspots like California and Florida is slowing, while states in the Northeast and Midwest are now experiencing increases in cases. According to the World Health Organization, 27 vaccines are in human trials, and the chances of an approved vaccine by late this year or early next year are quite high. We continue to side with scientists and humankind's resolve, as the entire world is working together, and we believe we will beat this latest adversary.

In good news, the S&P 500 Index has moved into positive territory for the year (as of August 5) after being down more than 30% in March, making 2020 one of the largest reversal years ever. Going back to 1950, however, August and September historically have been the two worst months of the year for stocks. In addition, signs of recent weakening in the job market, based on stubbornly high jobless claims, combined with evidence of reduced consumer mobility from several high-frequency data points suggest the stage could be set for stocks to take a well-deserved break.

At the July 29 Federal Open Market Committee meeting, Federal Reserve (Fed) Chair Jerome Powell made it very clear that the Fed has additional tools to support the recovery, and that low interest rates may be here to stay well beyond this year and next. The economy has improved off the March lows, but it isn't near the record-breaking levels we saw earlier this year. Powell also noted that further relief from Congress was "essential" to help support the economy.

Meanwhile, Congress is inching closer to a new COVID-19 relief bill, but parties remain at odds over several key elements. Although the two sides appear far apart, we expect a deal may likely be struck at the eleventh hour—consistent with typical Washington theater. At this time, we expect Congress to agree to a stimulus package in the neighborhood of \$1.5 trillion, bringing the total US fiscal stimulus to more than \$4 trillion.

Signs that the economic recovery may be leveling off have not prevented corporate America from delivering earnings well above expectations. Leaders like Apple, Amazon, and Facebook reported extremely strong results in the second quarter, helping these influential stocks move significantly higher. FactSet consensus estimates of future earnings have ticked higher as well, suggesting corporate America may be confident in the eventual economic rebound.

Baseball Hall of Fame catcher Yogi Berra said, "If you torture numbers enough, they will tell you anything," which fits well with what we're seeing right now in 2020. Some data appears good, while some data appears troubling. This journey is not over yet, and there may be more twists and turns before society and the economy can fully recover from COVID-19. But like all journeys, this one has an end date, and we will get there.

Until then, please remain diligent and strong, and we encourage you to contact your financial professional if you have any questions.

Sincerely,



Ryan Detrick, CMT  
Chief Market Strategist  
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All index data from FactSet.

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