



Market Commentary July 13, 2020

Dear Investors:

Please *don't* scream inside your heart.

Last week, a reopened Japanese theme park asked patrons to wear masks to help reduce the spread of coronavirus. It also asked them not to scream while riding the rollercoaster. "Please scream inside your heart," park management urged.

During 2020, stock markets in the United States have taken investors on an emotional rollercoaster ride. By late March, the Standard & Poor's 500 Index had lost more than 30 percent. The Index has since regained most of those losses, although there have been many ups and downs along the way.

The culprits behind market volatility have been fear and uncertainty, often inspired by twists and turns in the coronavirus saga. Last week, as stocks faltered and demand for U.S. government bonds surged, Eric Platt and Colby Smith of *Financial Times* reported:

"The strong demand for [safe] haven assets emerged after several U.S. states reported further increases in coronavirus cases, after Florida on Thursday recorded its largest death toll since the crisis spread to the United States. Some succor was provided to nervous investors on Friday after [a pharmaceutical company] released data showing its potential coronavirus treatment...had reduced mortality rates in early trials. That provided a bump to stocks and tempered the gains in Treasuries."

Volatile markets often cause investors to become uneasy. Sometimes, the emotional rollercoaster causes them to focus on short-term performance rather than long-term financial goals. Today, market fluctuations, in tandem with health concerns, work anxiety, and social distancing requirements, may trigger a stronger response than usual, making investors particularly vulnerable to the emotional biases within us.

If short-term market swings are making you restless or uncomfortable, don't keep it to yourself. This is a good time to re-evaluate your risk tolerance, review your financial goals, and make sure you have enough cash to meet current needs.

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Data as of 7/10/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.8%	-1.4%	6.4%	9.5%	8.9%	11.4%
Dow Jones Global ex-U.S.	1.4	-9.0	-3.1	-0.1	0.8	2.6
10-year Treasury Note (Yield Only)	0.6	NA	2.1	2.4	2.4	3.1
Gold (per ounce)	1.7	18.4	28.0	14.2	9.2	4.1
Bloomberg Commodity Index	1.5	-17.6	-17.2	-6.8	-7.7	-6.2

S&P 500, 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.

THE CORONAVIRUS EFFECT. COVID-19 has been reshaping Americans' financial habits. During the second quarter, credit card debt and personal savings data showed, overall, we were spending less and saving more than ever before.

In 2019, when a pandemic was a planning and preparedness exercise for epidemiologists, healthcare professionals, and health officials, the debt Americans accrued on credit cards increased between 2.5 and 4.6 percent each quarter.

Since COVID-19 arrived on our shores and began to spread, credit card debt has fallen dramatically. From January through March, it was down 7.6 percent (the seasonally adjusted annual rate). In early July, the *Federal Reserve* reported the numbers through May:

April 2020: - 64.8 percent (seasonally adj. annual rate)

May 2020: - 28.6 percent (seasonally adj. annual rate)

Lower spending may have contributed to higher savings. The personal saving rate (PSR) in the United States is the percentage of income left after people spend money and pay taxes each month. It increased dramatically in 2020:

January 2020: 7.9 percent (seasonally adj. annual rate)

February 2020: 8.4 percent (seasonally adj. annual rate)

March 2020: 12.6 percent (seasonally adj. annual rate)

April 2020: 32.2 percent (seasonally adj. annual rate)

May 2020: 23.2 percent (seasonally adj. annual rate)

Some believe higher rates of saving are the result of lockdowns and will reverse quickly as states reopen. An analyst cited by Jessica Dickler of *CNBC* explained, "In a month with large government stimulus payments to the majority of U.S. households and widespread economic shutdowns that largely curtailed discretionary spending, the boost to income and the plunge in spending produced an outsized savings rate."

The shift in percentages from April to May appear to support the hypothesis. We won't really know whether Americans will continue to charge less and save more until the pandemic ends.

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Weekly Focus – Think About It

“It’s good to have money and the things that money can buy, but it’s good, too, to check up once in a while and make sure that you haven’t lost the things that money can’t buy.”

--George Lorimer, Journalist

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * 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. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * 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.
- * The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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