



## Market Commentary July 6, 2020

### Dear Investors:

What a quarter!

Who could have guessed a global pandemic would produce outsized stock market returns? Near the end of last quarter (March 23), the Standard & Poor's 500 Index was down 30.75 percent for the year, and it looked like 2020 was going to be a disappointing year for many investors.

Since then, the S&P 500 has gained 39 percent, reported *The Economist*. It rose 20 percent from March 31 to June 30. The Dow Jones Industrial Average also did well, delivering its second best quarterly showing since 1938. The Nasdaq Composite finished the quarter in positive territory.

A variety of factors contributed to the exceptional performance of U.S. stock markets during the quarter:

- **The Federal Reserve maintained a supportive monetary policy stance.** It has been buying Treasuries and mortgage-backed securities and funding emergency loans.
- **The \$2 trillion emergency spending package passed by Congress had impact.** Stimulus checks, enhanced unemployment benefits, and emergency loans plumped personal income and supported businesses through second quarter closures.
- **Positive data suggested economic recovery might be underway.** In the United States, unemployment numbers improved, although they remained at historically high levels. Factory activity in China hit a three-month high, and the June Purchasing Manager's Index in the United States came in above expectations.

Supportive central bank policies helped global economies during the second quarter, too. Stock markets in many regions, including Europe, China, and Japan, finished the second quarter higher. Positive economic data, optimism about coronavirus treatments, and hopes for a vaccine helped push markets higher, reported *T. Rowe Price*.

Consumer confidence also contributed. Callum Keown, Nicholas Jasinski, and Carleton English of *Barron's* reported:

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“On Tuesday, the Conference Board reported an 11-point rise in the June consumer confidence index, to 98.1 points. Economists’ consensus estimate had been for a 90.6 reading. American households remain more optimistic about the future than their current circumstances: the present situation index component of the survey rose 15.1 points, to 86.2, while the expectations index rose 9.1 points, to 106.”

It is possible consumer confidence in the United States will be dented by the recent upsurge in coronavirus cases. Last week, the spread of COVID-19 was gaining momentum again. Every day, from Wednesday through Saturday, more than more than 50,000 new cases were confirmed.

Many states and cities implemented new measures to slow the spread. One of the most important may be mask wearing. Researchers at *Goldman Sachs* reported:

“Thus, the upshot of our analysis is that a national face mask mandate could potentially substitute for renewed lockdowns that would otherwise subtract nearly 5 percent from GDP. It is important to recognize that this estimate is quite uncertain because it is based on a number of statistical relationships that are all measured with error. Despite the numerical uncertainty, however, our analysis suggests that the economic benefit from a face mask mandate and increased face mask usage could be sizable.”

<b>Data as of 7/3/20</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	4.0%	-3.1%	5.3%	8.8%	8.6%	11.8%
Dow Jones Global ex-U.S.	1.8	-10.3	-5.4	-0.7	0.3	2.9
10-year Treasury Note (Yield Only)	0.7	NA	2.0	2.3	2.4	3.0
Gold (per ounce)	1.5	16.4	25.4	11.5	8.7	3.9
Bloomberg Commodity Index	3.8	-18.9	-15.9	-7.6	-8.4	-6.3

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.

**LET’S ALL GO TO THE DRIVE-IN!** Americans’ search for socially-distanced entertainment is leading them to drive-in theaters. Demand has been strong enough that pop up drive-ins are opening in sports venues, arenas, and fairgrounds across the United States, reports Sara Fischer of *Axios News*.

In the 1950s, there were more than 4,000 drive-in theaters in the United States. By October 2019, the number had dwindled to 305. More than one-third were concentrated in Pennsylvania, New York, Ohio, Indiana, and California, according to the *United Drive-In Theater Owners Association*.

Outdoor movie theaters tend to operate on razor-thin margins, reported *The Washington Post*. “...Drive-ins in the 21st century have flourished in more working-class and rural areas where land is cheaper and the venue appeals to families seeking to pile in the car for a night of inexpensive entertainment.”

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Now, we're seeing a resurgence of interest in outdoor movie venues. The sponsor of the Tribeca Film Festival has partnered with big box stores. They'll be bringing "...the big screen to America's backyard this summer..." by offering movies in store parking lots.

So, set up the lawn chairs or deck out your cargo space with pillows and blankets, and settle in to watch some movies from a safe social distance in the great outdoors.

## **Weekly Focus – Think About It**

"Outside of a dog, a book is a man's best friend. Inside of a dog it's too dark to read."

*--Groucho Marx, Comedian*

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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- \* 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.

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