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The Path Forward

First and foremost, we hope that you and your loved ones are doing well, and remain healthy and in good spirits during this difficult period. Our team continues to operate on a fully functional basis, operating largely from home with the support of the firm's trading, portfolio management and communication infrastructure, and engaging with clients and colleagues on a daily basis.

How do we recap the first half of 2020? COVID-19 has upended the lives of many over the past few months. In addition to the health and social impacts, the spread of the virus around the globe and, specifically, its effects on the U.S. and global economy, has contributed to extraordinary market volatility, with the S&P 500 Index falling 19.60% in the first quarter. This led to massive fiscal and monetary responses, which in turn contributed to market resurgence as the S&P 500 gained 20.54% in the second quarter, leaving its year-to-date return at -3.08% through June 30, 2020. Optimism that the economy would start to recover later this year, or next year, was also likely part of the story. Bonds also experienced significant volatility, with credit spreads widening dramatically before monetary intervention contributed to a rebound.

The impact of the stimulus is hard to understate. The Federal Reserve reduced interest rates to its "zero bound," supported facilities to purchase various fixed income securities, helped to restore and maintain market liquidity. Meanwhile, the federal government's fiscal packages resulted in payments to millions of people, including enhanced unemployment insurance, as well as support to various companies and industries, and forgivable loans to small business. These steps were intended to help protect the economy and markets from an even worse outcome, and continue to support financial markets today.

We expect volatility to continue in both equity and fixed income markets for the short- to intermediate term, as the world contends with COVID-19, earnings decline in the second and third quarters, and the country seeks to reopen the economy and get Americans back to work. The upcoming presidential election could also contribute to turbulence in the months ahead. In our view, equities remain attractive as an asset class over the long term; and despite historically low interest rates, we believe bonds should continue have a place within overall asset allocations for most clients, as they serve to diversify portfolios and dampen volatility.

In our view, there is a high probability that the economic recovery will be somewhat slow and choppy. However, looking past 2020, we anticipate an acceleration in the U.S. economy, but not without some fits and starts. As we assess overall economic, political and health-related factors, we feel that many of these inputs are subject to change as we potentially come closer to a medical solution to COVID-19. We are hoping for two potential outcomes on that front: a possible therapy/protocol that assists in the treatment of the infected, as well as success among the many pharmaceutical companies now making progress in developing an effective vaccine that can be mass-produced and effectively distributed.

During these volatile and unprecedented times, we continue to focus on the core principle of our team: partnering with clients to build and implement customized financial plans and investment portfolios that meet their unique goals and objectives. In current conversations with clients, the topics we have been reviewing and addressing include: reassessing asset allocation given clients' unique circumstances, working through initial or updated financial plans, and reviewing estate planning matters in light of COVID-19 and the current/future estate tax environment.

In our view, the tenets of sticking to a proper asset allocation through market cycles is the best way to accomplish whatever your specific goals/objectives are currently, and in the future. Our team believes that "time in the markets" is more important that timing the markets, as shown by the charts below. Since market timing creates two opportunities to be wrong—when to get out and when to get back in – the best course of action, in our view, is to stick to a long-term plan, with some adjustments along the way based on meaningful conversations and analysis.

Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2019. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2019.

Source: Bloomberg. For illustrative purposes only. Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, are no indication of the duration and characteristics of any current or future market/economic cycles or behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. The returns shown are gross of fee and do not reflect the fees and expenses associated with managing a portfolio. Investing entails risks, including possible loss of principal. Indexes are unmanaged and not available for direct investment. **Past performance is not indicative of future results.**

As always, we would like to thank you for entrusting our team with the management of your assets. We are here to discuss your investments to ensure that they remain in alignment with your long-term goals and objectives.

We hope that you and your loved ones remain safe and healthy.

Sincerely,

Bill Peterson | Laurie Davis | Kenneth Marino | Kevin McGrath

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The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weighs only those shares that are available to investors, not all of a company’s outstanding shares. The value of the index now reflects the value available in the public markets.

For more information on COVID-19, please refer to the Center for Disease Control and Prevention at cdc.gov