A BRIEF UPDATE ON OUR OUTLOOK

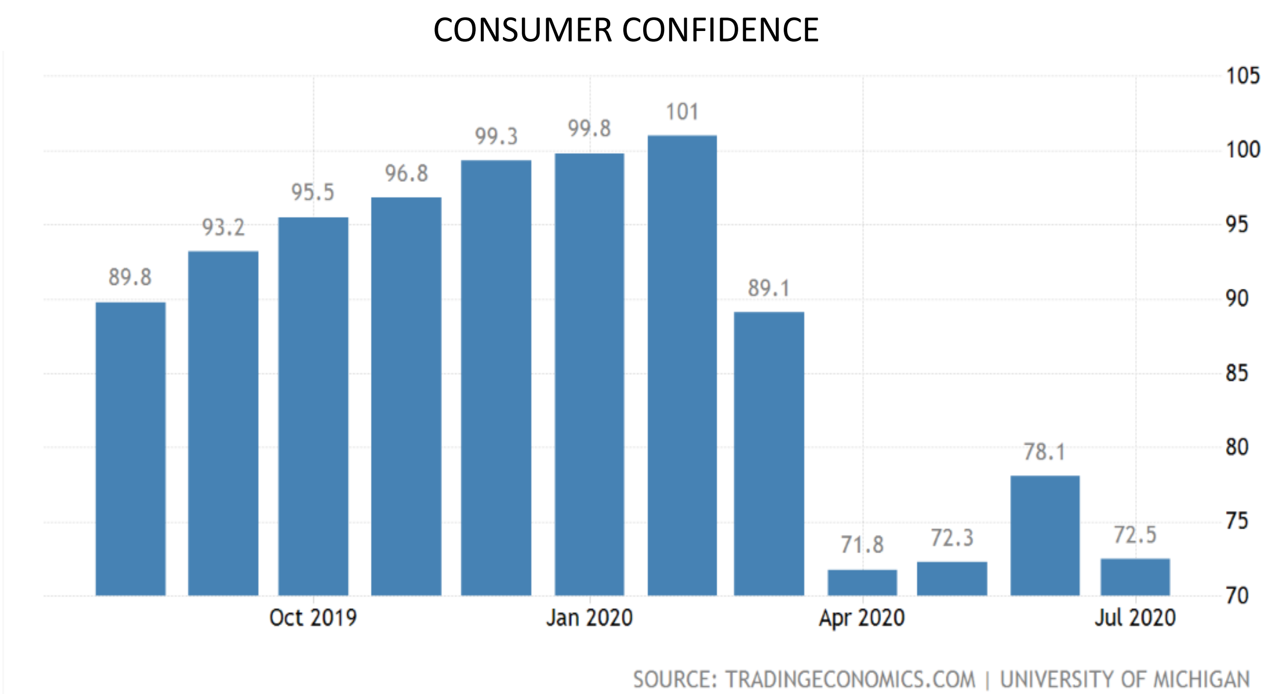
Corporate earnings "move" the equity market. With that adage in mind, it should be no surprise that with just short of 80% of the 700+ companies which have reported earnings thus far exceeding expectations, that the market closed out July with the fourth consecutive month of positive returns. Of those 700+ companies, almost 70% ***also*** reported better than anticipated revenues. The Technology sector of the market, particularly the stocks of companies that have made working, doing business, and communicating from home possible, have been the leaders of improved market performance.

Positive market direction has occurred despite the expectation and eventual reality (reported July 30th) of a negative GDP report. And while that report was not good, it was not as bad as originally projected. In fact, the -32.9% *annualized* U.S. GDP was better than the actual/preliminary GDP reports from several developed countries e.g., Germany -34.7%, France -53.2%, Italy -41.1%, Spain -55.8% and the European Union in general -40.3%.

The equity market recovery is also a result of improvement in the macro economic reports released during the past month. Virtually all of the **Manufacturing/Output** data including the Purchasing Managers Indexes, Durable Goods orders, and ISM (manufacturing & service) indexes are stronger; **Employment** numbers, except hours worked and average hourly income, have improved; **Housing** is quite strong; **Inflation** nowhere to be seen; and the **Consumer** indicators, while somewhat "mixed", have improved as well.

With the Fed recommitting to "whatever it takes" to maintain an improving economy, and an additional stimulus bill likely to be passed, investors appear to be discounting overall declining 2020/21 earnings, the recent spike (but apparently easing) in coronavirus cases, the uncertainty of the approaching election, and rising tensions with China.

Third quarter GDP should rebound strongly. A number of highly regarded economists and research partners are anticipating a strong +5.0% growth in third quarter GDP (20%+ annualized). However, with reports of employee layoffs increasing, and consumer sentiment having weakened recently, the third quarter may not be quite that strong. We will be monitoring these trends closely.



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As you have likely noticed, as strength in the equity markets has occurred, we have opportunistically taken a modest amount of investment action to both realize profits, in a tax efficient manner, and further diversify portfolios. With accounts structured as they are in terms of quality and valuation, with interest rates at historically low levels, additional federal relief likely, increasing good news on the vaccine front, and the year more than half over and heading toward two consecutive quarters of positive GDP growth, we believe clients' portfolios are well positioned.

In the current uncertain environment, the need to closely monitor and evaluate what may be rapidly changing conditions is critical; and we do that constantly. However, for many of the reasons stated above we believe that the "tailwinds" are stronger than the "headwinds" and thus our current cautiously optimistic outlook.

As always, we look forward to having you share with us your comments, questions, and critique'.