



# Financial Market Update

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JUNE, 2020

# Improving Pandemic Trends = Improving Economics & Financial Markets

- ❖ As you know, the coronavirus global pandemic brought a swift and dramatic halt to positive economic and financial market trends as governments around the world put “shelter in place” orders in effect.
- ❖ With U.S. and global economies slowing and businesses closing, unemployment in the U.S. has risen to more than 23 million workers and an unemployment rate of 14.7%. This is an abrupt ending to a string of more than one hundred consecutive months of employment gains and a historically low unemployment rate of 3.5%.
- ❖ Additional effects of the global “shut down” lowered the outlook for corporate revenue, earnings and dividend growth, caused significant financial market volatility, a steep drop in stock and crude oil prices, and a good number of business to declare bankruptcy.
- ❖ However, the most negative impact of the virus has been its effect on the health of families, friends, and the world in general.

## The Response

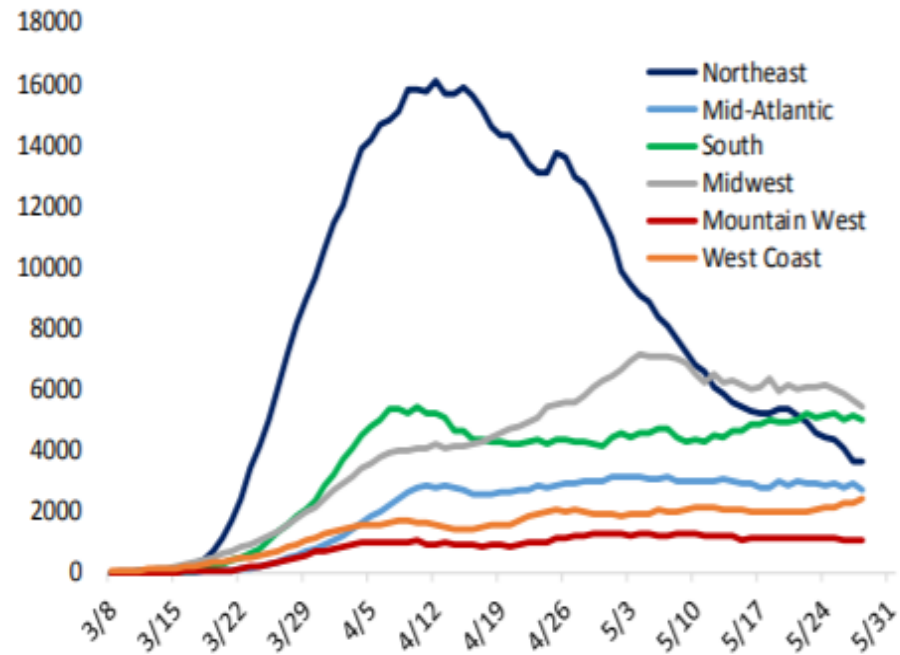
- ❖ The U.S. Fed and other central banks aggressively cut rates to 0%, and Congress enacted the \$3 trillion CARES Act, the largest relief package in history, to help protect families and business from the most debilitating effects of the economic slowdown. This was accomplished by expanding unemployment benefits, providing direct payments to individuals, aid to states and special grants to health providers.
- ❖ With the CARES ACT in place, and more economic stimulus likely to come, expectations for a moderately rapid economic recovery (4<sup>th</sup> Qtr, 2020) are anticipated. This anticipation assumes a successful, gradual “re-opening” of global economies, but is also dependent on success controlling the virus.

## The Results

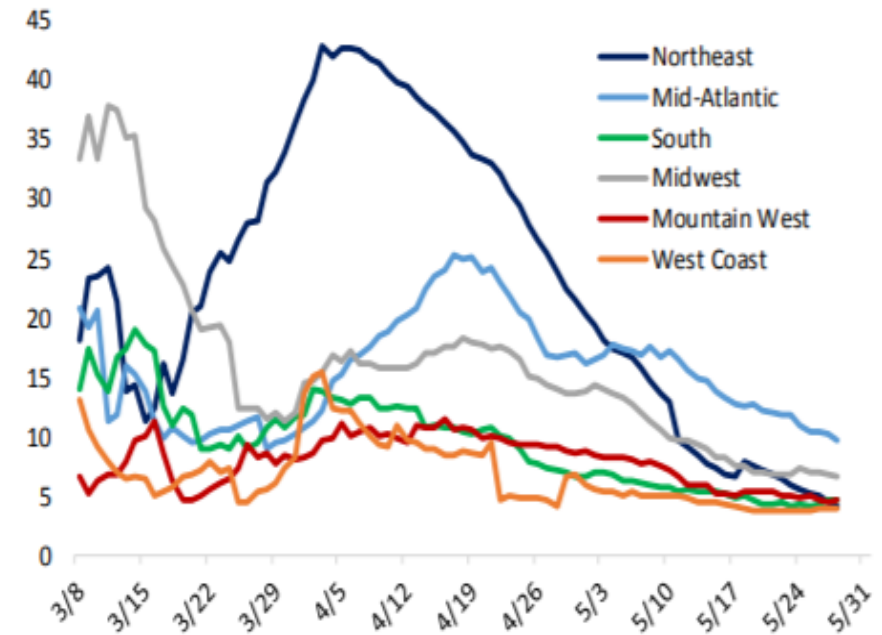
- ❖ In responses to the actions described above, the equity markets have rebounded strongly, the economy appears to be re-opening successfully, and the optimism for economic recovery and more normal social interacting is increasing gradually.

## POSITIVE NEWS ON THE PANDEMIC FRONT – Slowing Rates Of Growth

Covid-19 Cases By Region (7 Day Avg.)

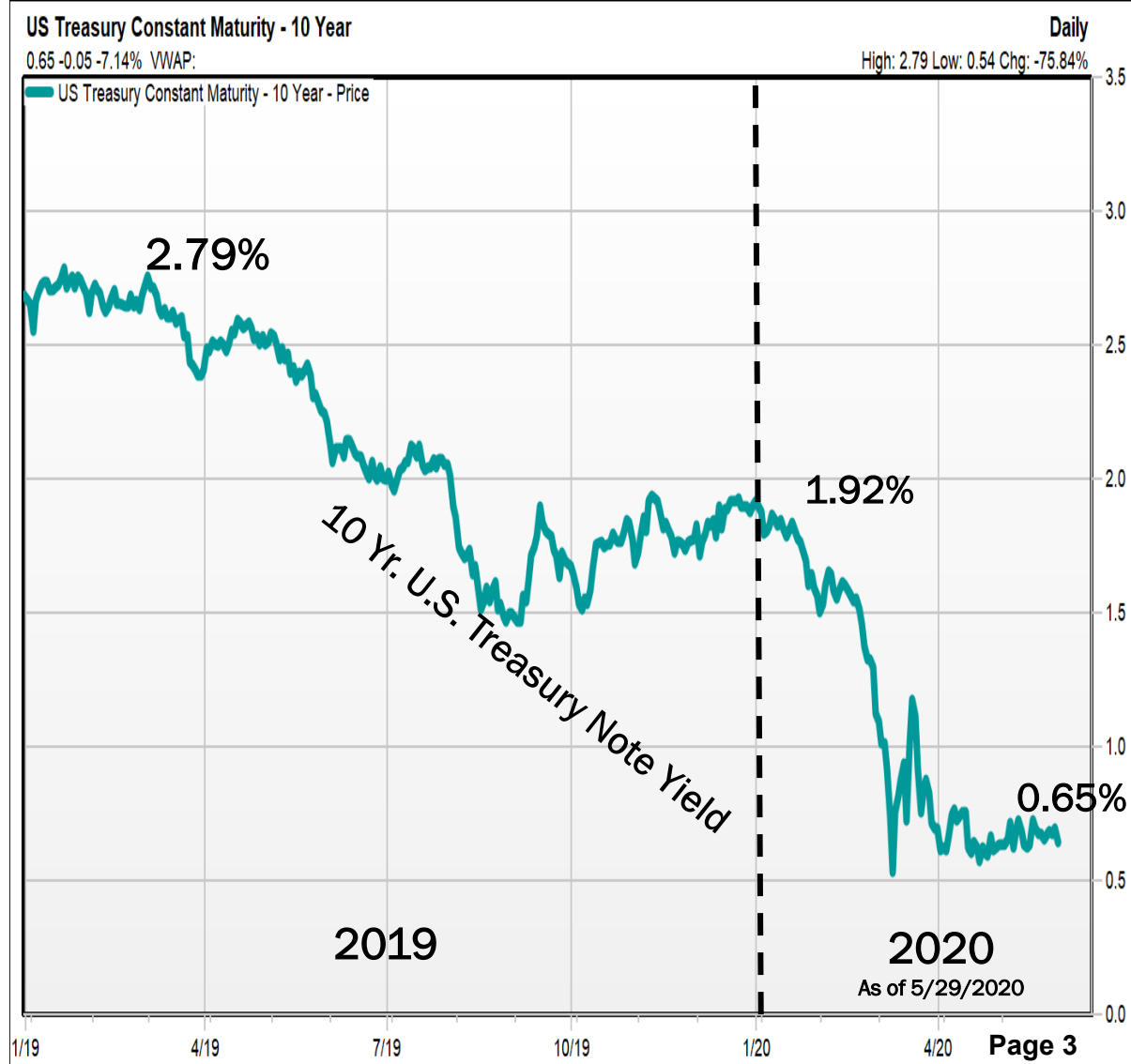


Positive Test Rate By Region (7 Day Avg., %)

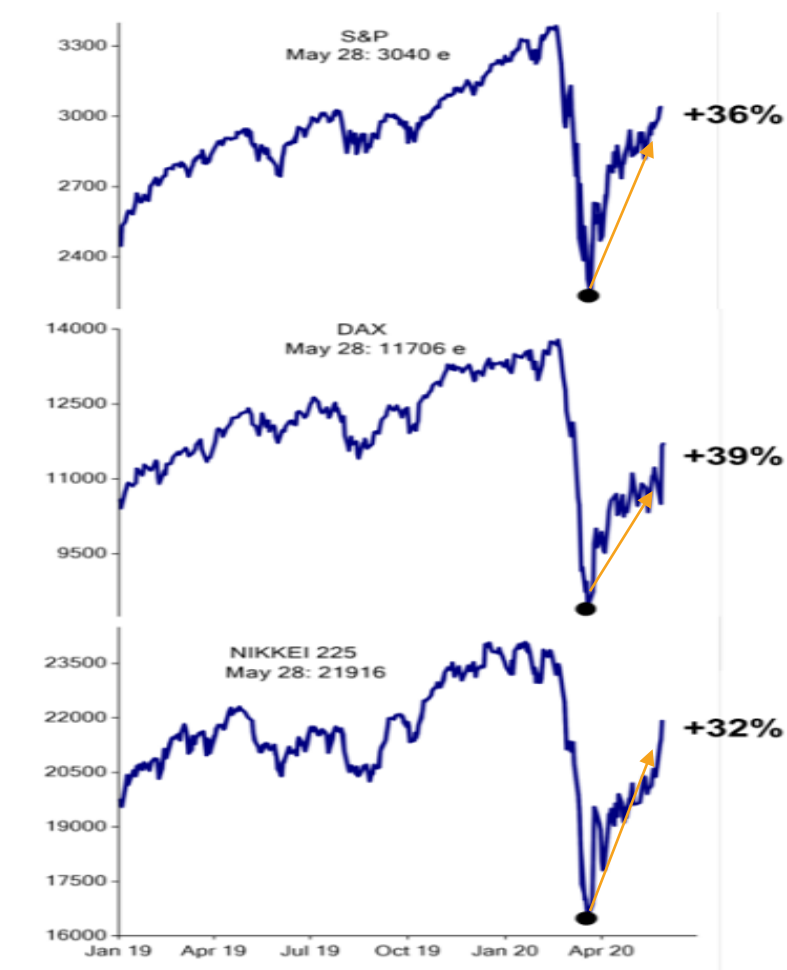


Source: Centers For Disease Control

# STOCK PRICES SUGGEST AN IMPROVING ECONOMY; INTEREST RATES SUGGEST LOW INFLATION



## RECOVERING STOCK MARKETS IMPLY IMPROVING SENTIMENT FOR A GLOBAL RECOVERY



**S&P**\*

\*A capitalization weighted U.S. stock market index, currently composed of 505 stocks issued by 500 companies traded on American stock exchanges.

**DAX**\*\*

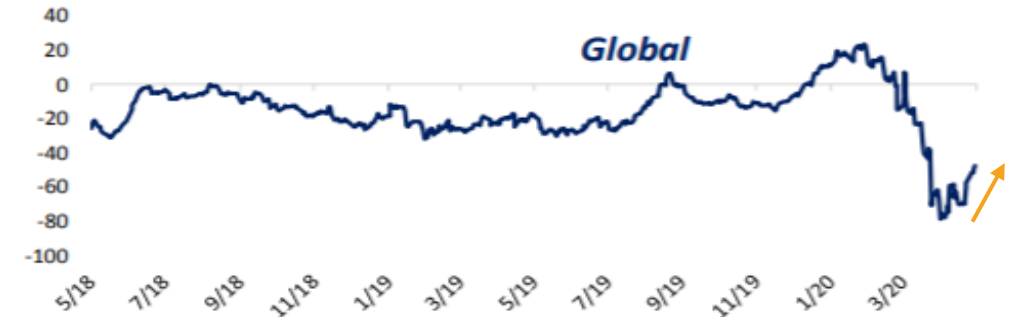
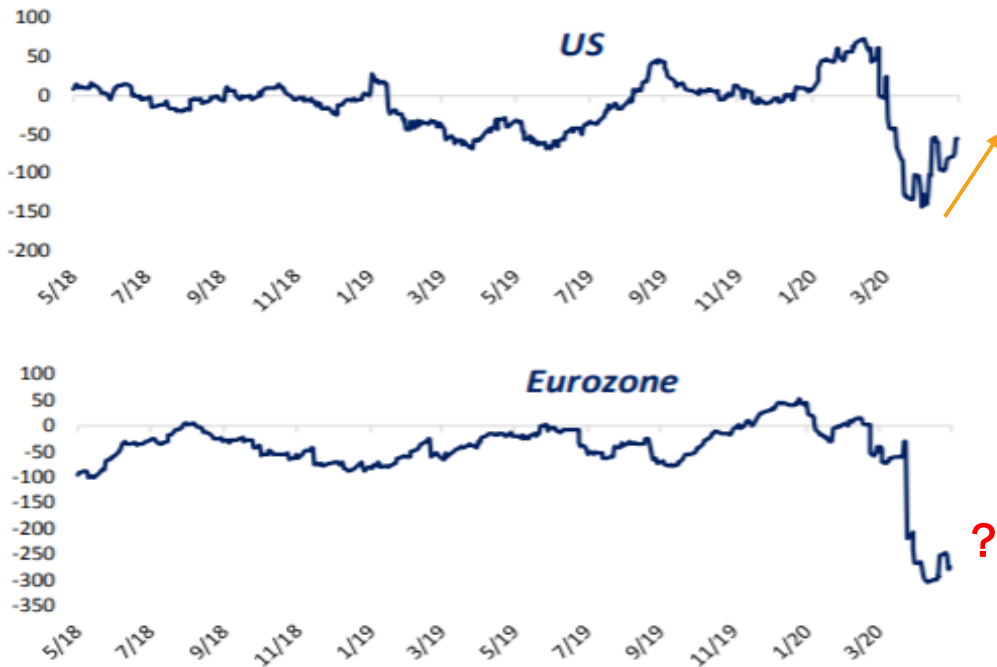
\*\*A capitalization weighted, stock market index consisting of 30 major German companies trading on the Frankfurt Stock Exchange.

**NIKKEI**\*\*\*

\*\*\*A price weighted stock market index consisting of 225 major Japanese companies trading on the Tokyo Stock Exchange.

\* Source: Evercore ISI

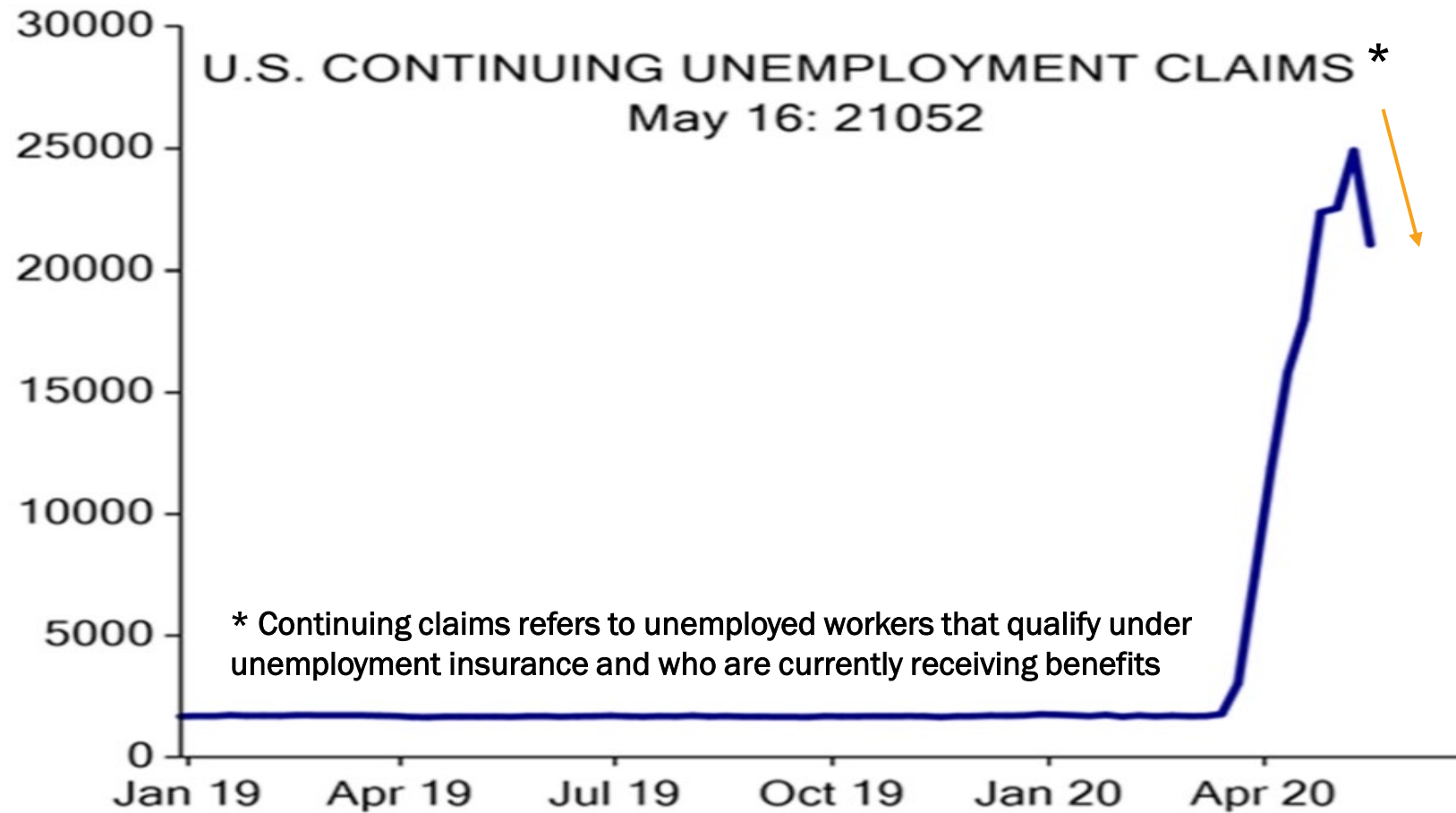
## Indexes\* Indicate Improving Economic Conditions Around The Globe



\*Citi Economic Surprise Indexes are objective and quantitate measures of economic news. The indexes show how economic data are progressing relative to consensus forecasts of market economists as tabulated by Bloomberg, LLC.

\* Source: The Bespoke Investment Group , 5/29/2020

## A “DEVASTATING” IMPACT OF THE PANDEMIC SHUTDOWN IS EASING



\* Source: Evercore ISI

## U.S CONSUMER NET WORTH REMAINS NEAR RECORD LEVELS – Solidifying Financial Strength



Consumer Net Worth (household) is made up of total household assets minus total household liabilities.

Solid Consumer Net Worth is critical to maintaining consumer confidence and spending.

\* Source: Evercore ISI

# THE WORST APPEARS TO BE BEHIND US, BUT STILL MUCH TO DO

## A Check List Of Important Milestones

- ✓ Virus cases stabilize and begin to decline. (**chart attached**)
- ✓ Pharmaceutical/Biological solution required. (*multiple clinical trials taking place*).
- ✓ Major economic stimulus programs enacted. (*\$3T CARES Act appears successful; more may be required*)
- ✓ Unified U.S. Government response in place. (*more evident, but challenged by states*)
- ✓ Coordinated global response in place. (massive global economic stimulus measures continue to be put in place)
- ✓ Financial market volatility has moderated.
- ✓ “Climactic” media coverages lessens. (*Not likely in the near future – “fear sells”*)
- ✓ Evidence that initial “re-opening” steps are successful and without virus reoccurrence.
- ✓ Recent racial protests require addressing and positive conclusions.

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