

Market Update

First and foremost we hope all of our clients, family, and friends are mentally and physically well throughout these challenging times. This pandemic has weighed heavily on everyone and we are all encountering different levels of stress as we enter into a new normal with the presence of COVID-19.

Where Are We Now?

We have recently begun to see the “light at the end of the tunnel” as stay-at-home orders, social distancing, and the quarantines have flattened the U.S curve. The hardest hit areas of the country are seeing significant declines in infections, hospitalizations, and deaths. Multiple states have started to re-open for business with Governors providing stepped plans to return to some level of normalcy. And the best news of all, the FDA has approved Remdesivir for use against COVID-19.

Unfortunately, even with this progress, we are not “out of the woods” yet, as fears of a second wave of infections and the lack of a vaccine will prevent the U.S from returning to the “old normal” anytime soon. Although multiple vaccine trials are underway across the globe, it seems the Fall will be best-case scenario for the first widespread usage if any of the current vaccines prove to be safe and effective. Multiple therapeutic and anti-viral drugs are also in trials with hope that some will prove to be effective in keeping patients out of intensive care and off ventilators. Until a vaccine is available or therapeutics are successful, society will struggle to return to a full level of freedom.

Economic Recovery

We are all eager to return to work and resume our daily activities, but it’s going to be a slow process for the travel, leisure, and services sector of our economy. The U.S is a consumer-driven economy and small business is the engine that drives us forward. There is no past precedence that will guide us on how consumers will react on the other side and whether or not purchasing habits will alter. Unemployment is at almost unprecedented levels and there is no way to tell whether the majority of unemployed workers have jobs to return to when restrictions are fully lifted. Restaurants, movie theaters, amusement parks and other social gathering business models will have a challenging time generating profits with current social distancing guidelines. Business and personal travel will struggle to return to pre-virus levels for the foreseeable future and no one knows when stadiums will once again be filled with sports fans. Bankruptcies have already started with Hertz, J Crew, and Neiman Marcus all announcing plans to file. We are just beginning to sift through the business casualties and it is too early to predict who will survive and who will not.

Although there will be sectors that struggle, green shoots always sprout out of the ash and new business models will fill the void where old companies once stood. Walmart, Amazon, Instacart, and many others have been hiring and expanding throughout the crisis. Zoom and other video conference services have become popular ways to conduct business, communicate and socialize without direct, physical contact. In addition, restaurants have adapted to take out service, farmers are selling direct to consumers, and movies are being released directly to streaming services. Businesses are adjusting and some will even thrive going forward.

Markets

As we have said in the past, markets do not like uncertainty and, in our opinion, most of the uncertainty related to the virus is already factored into the market. The uncertainty now lies in the duration and scope of the recovery. The shock and awe meltdown we saw back in February and March has subsided and volatility has waned. Both Federal Reserve and the U.S. Government have provided an unprecedented amount of liquidity and stimulus into the economy and we do not believe they are finished. Additional stimulus is almost certainly on the way as National Economic Advisor, Larry Kudlow, called for over the weekend. All in all, the markets have experienced a nice recovery from the bottom, but the consumer will determine where we go from here. The government cannot drive consumer demand so we will watch 3rd and 4th quarter corporate earnings to gauge whether or not market levels are justified.

What Are We Doing?

We recently made changes in clients' taxable accounts, where applicable, to take advantage of tax-loss harvesting to offset future, realized capital gains. We also redeemed our alternative position for dividend-focused, large-cap, domestic equities we believe will fare better in a long-term recovery. In addition, clients erring on the conservative spectrum are slightly overweight cash at this point in time.

We know this is a difficult period for most as we adjust to the new normal. As a nation, we learn and grow from each hardship we face and this situation will be no different. At Benchmark, we are confident in the future of our country and we believe we will come out of this stronger and more united than ever.

As always, if you have any questions or would like to discuss your accounts or financial situation further, please call your advisor directly or email us at clientservices@benchmarkfinancial.info. Please visit our website at www.benchmarkfinancial.info for more information on our planning services.

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