## Market Commentary

We hope everyone enjoyed the July 4th holiday and remains healthy. News travels fast these days and the great challenge is keeping track of economic openings and closings with some states confronting an increase in COVID-19 cases, while others see major declines. The virus is seemingly in control of the economic recovery and the financial markets, or is it? A major dichotomy exists between real economic data and how capital markets are performing as the Nasdaq Composite recently hit an all-time record and the other US indexes are close to positive territory for the year. The next all important question remains, what does the back half of 2020 look like?

### The Markets

The first half of 2020 has certainly been one for the record books as we are witnessing the fastest bear market and recession recovery on record. Although several analysts rejected the notion of a "V"-shaped recovery, that seems to have come to fruition so far. However, not all stocks are created "equal" with Large Cap Technology, Communications, and the NASDAQ pulling the broader markets higher. Travel and Leisure, Financials, Energy still lag as we navigate through the new normal. The 2nd quarter's recovery has been quite remarkable up to this point and there are indications it will continue.

### The Economy and Market Disconnect

Negative news and headlines are commonplace these days regardless of news channel or newspaper. Restaurants are struggling to return to profitability, new bankruptcies are springing up weekly, and brick and mortar retail may never fully recover to pre-COVID levels. Very few are traveling for business purposes, summer vacations and travel have been canceled or modified, and most businesses still have a large percentage of employees working remotely. And yet, the financial markets seem to be running in a parallel universe with no regard for to the impact of this virus-ridden economy.

Why are markets rallying? The Federal Reserve and Congress have poured an unprecedented amount of money into the economy over the last few months. Whether through the Cares Act stimulus checks, PPP funding, or Federal Unemployment Benefits, the economy is flush with cash. Interest rates are at or close to zero and will remain there for another 18-24 months according to Fed Chair, Jerome Powell. Additionally, President Trump and Congress are both touting a new stimulus package which is said to be approved by end of July.

The old adage of "don't fight the Fed" seems to be working currently. Through their course actions, it appears the Fed and Congress will spare no expense to avoid another economic meltdown as we saw after the financial crisis in 2008. We are not naïve to the fact that the government cannot spur consumer confidence as consumer spending accounts for much of the economic growth in our country. Additionally, we know an unprecedented amount of stimulus funding for short-term recovery means an insurmountable addition to our long-term national debt, to which some means of increased taxation and/or reduced welfare programs will have to be addressed for fiscal responsibility. Only time will tell, but we still do not want to fight the Fed.

**What's Next**

The 2020 presidential election is only 4 months away and more volatility could be on its way depending on poll numbers. Either way, election cycles are typically positive for markets. As we learned in the last election, things aren't always what they seem when people predict how markets will react to the president elect. History shows financial markets have moved upward regardless if a Republican or Democrat sat in the Oval Office.

Therapeutics and a vaccine are inevitably coming. We will defeat this virus thanks to the incredible work of scientists around the globe. The lessons we learn today will guide us towards handling the next pandemic or financial catastrophe. When that time comes around again, our hope is we continue to navigate your ship throughout the stormy weather, preventing costly mistakes so you can arrive at your financial destination with the best outcome possible.

Stay tuned, stay safe, and remember, we are all in this together!

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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