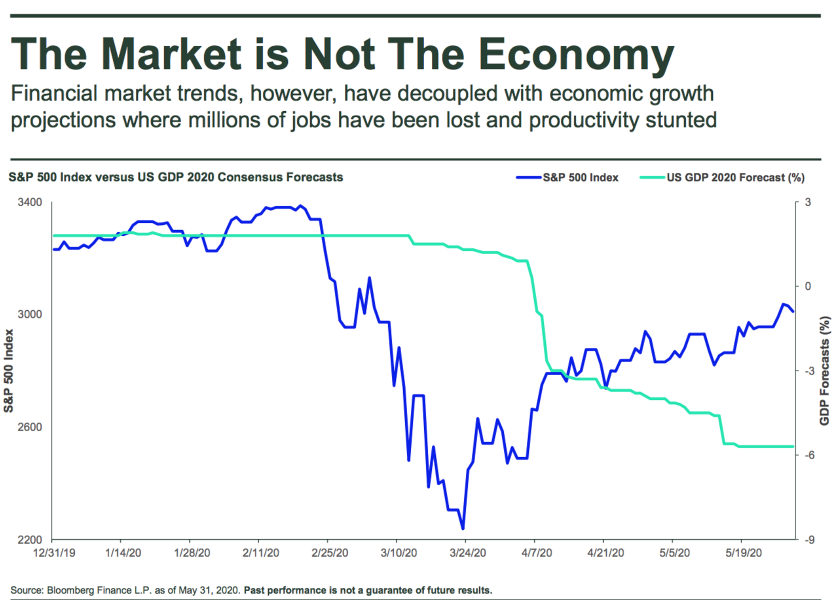
Market Performance Update

June 26, 2020 *"V-Shaped Recovery…With Bumps Along the Way"*

Financial markets over the last several weeks have rebounded dramatically and continue to outpace the realities of the economy. Consumer spending, strong housing numbers, and record-breaking increases in manufacturing in certain regions provide optimism that activity is returning much quicker than some predicted. As always, the financial markets are forward-looking and are pricing in a successful reopening of the economy, with a proverbial jetpack (enormous Federal Reserve stimulus) attached to it.

The 'Don't Panic' and 'Buy Low' strategy that we preached during the March sell-off, has shown an incredible return over the last several weeks for clients. In our view, there are still some attractive sectors and individual names that have not yet fully participated in the first-leg of the recovery. However, fears of a 'second-wave' are beginning to impact the psychology of the market somewhat.



After witnessing such a dramatic V-shaped recovery up to this point, a pause is often not a cause for concern, but a healthy reset to assess where the market has come from and where we are anticipating it is going next. It may be some time before an 'All Clear' signal is given, but here is a sample of what we are hearing from our institutional partners:

-There is still a tremendous amount of cash on the sidelines waiting to be deployed. Saving deposits and money market funds have grown significantly since March.

-A broad-base rally…which signals to us that a full-blown recovery is on the table.

-Economic data continues to come in better than expected; the rebound in Employment continues to be a bright spot, as unemployment claims continue to decline.

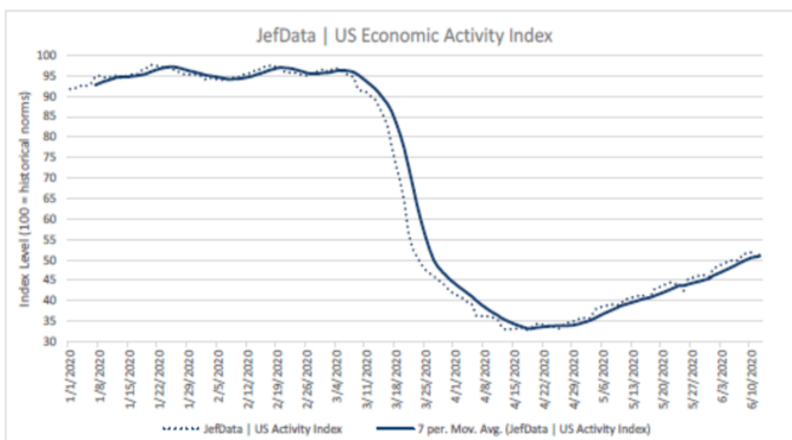
-We feel that a lot of the “Bad News” is already priced-in.

-Beginning of a cyclical recovery with $3 trillion in government stimulus.

-Earnings estimates will continue to ratchet upwards, which will make the P/E multiple of the market seem more fairly-priced.

-Momentum in Technology still trending well; new spurt of growth.

While Q2 is certainly looking to be one of the worst quarters for economic activity on record, both the economy and market continue to show resilience and strong momentum heading into the second-half of the year. Early estimates show a significant recovery in Q3 GDP.



Source: Jefferies

There are going to be inevitable bumps in the road, but we remain confident in the direction we are headed.

If you have any questions, please don’t hesitate to reach out.

Sources: Bloomberg Finance LP and Jefferies. Data and samples from institutional partners taken from a 6/11/20 conference call with State Street Global Advisors. Past performance is not a guarantee of future results.