OKUN FINANCIAL GROUP
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July 2020

Dear VIP Client,

As we entered the second quarter of 2020, the world and investment markets faced serious challenges. In just weeks, the COVID-19 issue had morphed from an obscure threat in rural China into a global pandemic. As infection rates soared, countries entered lockdowns and economies teetered. Unemployment rates quickly soared as businesses were forced to close. As U.S. stocks fell about 35% in less than six weeks and the longest economic expansion in history came to an end, many believed this was the end of investment gains for a long time to come.

% Return as of 06/30/2020			
Equity Indexes	**2nd Q**	**YTD**	**3 Yr**
S&P 500	20.5	-3.1	10.7
Russell 2500	26.6	-11.1	4.1
MSCI EAFE	14.9	-11.3	0.8
Emerging Market	18.1	-9.8	1.9
Wilshire REIT	10.6	-17.7	0.2
Bond Indexes			
TIPS	4.2	6.0	5.1
Aggregate	2.9	6.1	5.3
Government	0.5	8.6	5.5
Mortgages	0.7	3.5	4.0
Investment Corporate	9.0	5.0	6.3
Long Corporate	11.4	6.3	8.8
Corporate High-Yield	10.2	-3.8	3.3
Municipals	2.7	2.1	4.2
Cash Equivalents			
3-Month T-Bill	0.0	0.7	1.8
Consumer Price Index	*-1.3*	*-1.0*	*1.6*

Of course, we all empathize with the pain of lost lives and challenges this event has caused. As financial professionals, we maintain a sense of purpose and perspective even in the face of these unprecedented events. This is nothing new. Maintaining a sense of purpose is part of our culture and embedded in the DNA of our country.

An example is a letter President Abraham Lincoln sent to Congress in 1862, during one of the most tumultuous times in our nation's history. Lincoln wrote, "The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our case is new, so we must think anew and act anew."

During the current crisis, that is what the American people and people of the world did. They rose to the occasion. Within weeks of the unfolding crisis, governments, rightfully recognizing the breadth of the challenges before us, passed massive stimulus packages. Researchers at universities and companies joined the fight, using advances in genetics and artificial intelligence to develop tests for the virus that just weeks before was largely unknown. Recently, both potential treatments as well as possible vaccines have been developed and have shown promise in trials. If these don't work, there are more behind them.

Advancements in technology made it possible for many, including our practice, to move to working from home efficiently and seamlessly. Perhaps even 10 years ago, none of this would have been possible. It wasn't just high tech. Grandmothers produced masks in sewing rooms and auto companies pivoted to producing ventilators. That is the power of thinking anew.

Given the collective power of these efforts, investment markets staged a powerful recovery. The Dow Jones Industrial Average and the S&P 500 turned in their best quarterly performance in decades. Even though both indices remain down somewhat for the calendar year, these are the best quarterly performances since 1987 and 1998 respectively.

Domestic Equity: As noted, U.S. stocks advanced strongly in the second quarter. The S&P 500 jumped to a 20.5% gain as government stimulus and medical advances buoyed markets. Smaller stocks, as represented by the Russell 2500, soared over 26%. For the calendar year, the S&P 500 and the Russell 2500 were still down 3.1% and 11.1% respectively. While still down, it is a far cry from the worst-case scenario many expected just three months ago.

International Equity: Foreign stocks also participated in the quarter's recovery, though somewhat more muted than U.S. returns. Developed foreign markets, represented by the MSCI EAFE Index, increased 14.9% for the quarter. Emerging market equities advanced 18.1%. Even with the strong second quarter returns, international markets are also still down for the calendar year. Developed and emerging market indices are down 11.3% and 9.8% respectively.

Fixed Income: As the spread of the virus continued to severely depress economic activity, the government took decisive action. Late in the first quarter, the Fed cut the discount rate to zero. This was followed by a variety of programs to inject liquidity into the fixed income markets. This, together with increased buying from investors fleeing the equity markets, drove yields lower and boosted bond returns. The Barclays Aggregate, a measure of the total bond market, rose 2.9% for the quarter and is up 6.1% for the calendar year. High-yield bonds turned in strong results for the quarter despite the current challenges. The index jumped 10.2% for the quarter but given the weak results from the first quarter, remains down 3.8% for the year.

Of course, a dramatic rebound from the lows of the first quarter doesn't mean this is all over. It is not. There will almost certainly be setbacks and disappointments along with progress in the fight against the virus and the economic impacts. There may also be fears and volatility related to the upcoming elections. If it isn't those concerns, it will be something else. That is just how investment markets work.

We don't just manage assets. We know there are people attached to these assets. By knowing your goals and what matters to you, we can design portfolios with purpose and perspective. We will do that, as we always have, no matter what comes. We will get through this together.

Feel free to call if you have any thoughts or questions or would just like to talk.

Sincerely,

Kathie

President/Wealth Advisor

CRN-3154734-070820

Sources of data –Wall Street Journal, CNBC, Abbott Laboratories, Thermo Fisher Scientific, Moderna Pharma, S&P Global, MSCI, Russell. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Three-year performance data is annualized. Bonds have fixed principal value and yield if held to maturity and the issuer does not enter into default. Bonds have inflation, credit, and interest rate risk. Treasury Inflation Protected Securities (TIPS) have principal values that grow with inflation if held to maturity. High-yield bonds (lower rated or junk bonds) experience higher volatility and increased credit risk when compared to other fixed-income investments. REITs are subject to real estate risks associated with operating and leasing properties. Additional risks include changes in economic conditions, interest rates, property values, and supply and demand, as well as possible environmental liabilities, zoning issues and natural disasters. Stocks can have fluctuating principal and returns based on changing market conditions. The prices of small company stocks generally are more volatile than those of large company stocks. International investing involves special risks not found in domestic investing, including political and social differences and currency fluctuations due to economic decisions. Investing in emerging markets can be riskier than investing in well-established foreign markets. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Russell 2500 Index measures the performance of the 2,500 smallest companies (19% of total capitalization) in the Russell 3000 index. The S&P 500 index measures the performance of 500 stocks generally considered representative of the overall market. The Wilshire REIT Index is designed to offer a market-based index that is more reflective of real estate held by pension funds.

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