June 30, 2020
Economic Update

LANDMARK WEALTH MANAGEMENT

Financial Market Update

Global Markets rallied strongly in the 2nd quarter off of their March lows. The Dow Jones and S&P 500 indexes recorded their strongest quarter since 1987 and 1999, respectively. Markets looked beyond the economic damage caused by health policy shutdowns and focused on a potential economic recovery in the back-half of 2020 and into 2021. US Mid and Small Cap stocks led all asset classes, as these areas of the market regained some of the losses seen during the 1st quarter. US Large Cap stocks and International Equities (Emerging Markets and Developed International) also posted strong returns for the quarter.

As we turn the corner towards the second half of 2020, uncertainty remains and continued market volatility is expected. An unclear path forward with rising virus cases, as well as a US Presidential election, will be foremost on the minds of investors.

Asset Class	2nd Quarter Returns
Core Bonds	2.1%
Non-Core Bonds	7.8%
US Large Cap	20.5%
US Mid Cap	24.1%
US Small Cap	21.9%
Global Equities	19.5%
Developed International	14.9%
Emerging Markets	18.1%
Infrastructure	13.6%
Real Estate	11.4%

Economic Stimulus Response

The Federal Reserve and US Government swifty implemented economic relief policies in March / early-April. Since then, the Fed has continued to support markets through existing programs, and new ones such as support of the corporate bond market and its Main Street Lending program for small businesses. Congress is considering additional fiscal stimulus of potentially $1 Trillion by the end of July, although the exact details of the plan remain unclear at this point.

Employment

With shutdown measures being imposed widely across the US, unemployment jumped to 14.7% in April from 4.4% in March, the largest monthly increase on record. Many analysts predicted further increases in unemployment in May, but there was an unexpected reversal as the rate fell to 13.3% and then further dropped to 11.1% in June as states reduced social distancing measures and businesses returned to work. The employment situation remains highly fluid and largely dependent on the viral outbreak levels.

US Economy

According to the National Bureau of Economic Research, the US officially entered a recession in February. This ended a 128-month expansion: the longest since the post-WWII era. US GDP shrank by 5% in the 1st quarter due to the impact from mandated quarantine policies. Consensus estimates for 2nd quarter GDP is a sharp drop of 34%, followed by a strong recovery in the 3rd and 4th quarters and into 2021. For 2020, the consensus estimate is a contraction of GDP by 5.6%.

The current economic contraction is driven by an outside shock – the coronavirus – not financial or economic instability. As such, some analysts expect a strong economic rebound when coronavirus caseloads eventually improve.

Looking Out

- The US Presidential elections between Joe Biden and President Trump will take center stage as we transition to the Fall months.
- Rising COVID-19 cases in some states will pose headwinds to reopening efforts and downside risk to markets. Improving case numbers and better treatment could provide optimism for the market.
- Trade challenges between the US and China pose potential market headwinds.

We continue to monitor this situation carefully and are regularly having discussions with our portfolio managers, and internally with our team members. Please do not hesitate to contact us with any questions.