

# WealthManagement

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## Market Insights

*A periodic newsletter from Idaho Trust Bank*

*Major stock indices rebounded from the sharp declines experienced in the first quarter as investors anticipated a bounce in economic activity based on a relaxation in social distancing restrictions around the globe. In some regions, the reduced restrictions have led to an uptick in Coronavirus cases. The economic impact has been profound and resulted in a very uneven recovery so far. There is no definitive timeline as to when more normal social and work activities will fully resume and many states have varying policies, which adds to the uncertainty.*

## Economic Activity

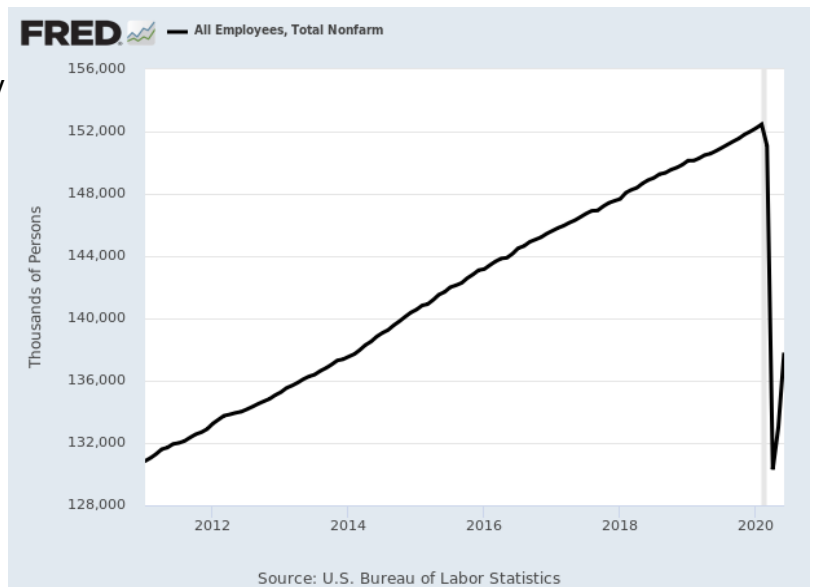
The economic data has been very poor over the past few months but has recently begun to show some signs of hope. According to recent government figures, the economy created 4.8 million new jobs in June, while economists had only been expecting a gain of 2.9 million. That is an exceptionally strong gain in a single month, but it still represents only a fraction of the jobs that were lost since the Coronavirus first emerged. (See the chart of non-farm payrolls on the next page).

While many of the job losses have been characterized as 'temporary', the report said that 10 million Americans have permanently lost their job. The unemployment rate fell to 11.1% (down from 13.3%). That's an encouraging improvement, but the current jobless rate is still higher than the peak unemployment rates in 1982, 1992 or 2009.

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. LifeNeeds™ utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

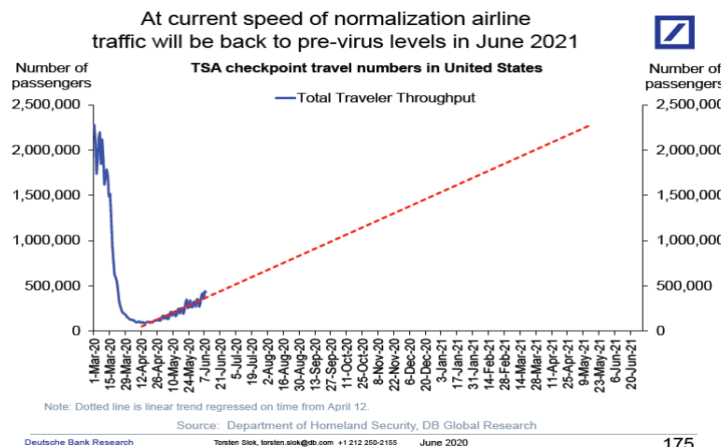
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The poor picture of business activity seems to be at odds with the improvement in the stock market over the past three months. It is important to keep in mind that the market declined sharply in the first few months of this year, forecasting the weak activity levels that we are currently experiencing. The improvement in the market performance is perhaps the market predicting that the worst of the economic downturn appears to be behind us.



U.S. consumers are buying again, but their shopping patterns show broad fears of persistent health risks amid the pandemic. The data show consumers have in many ways been mindful of the risks all along, consistently shunning hotels and air travel and spending on driving and Airbnb bookings. Spending data reflect recent reopenings, with consumers cutting back on some online grocery purchases and flocking to hair salons and furniture stores. But they also spent on takeout and food delivery, and continued to splurge on home improvement and sporting goods.

These patterns are important. Consumer spending is a critical engine of recovery, typically driving two-thirds of U.S. output. Economists say the data shows that, despite calls to reopen and ease shutdown orders—and despite a spirited national debate over mitigation measures such as face coverings—consumer habits in part reflect continued social distancing amid fears the pandemic won't be ending soon.



One concern is that Coronavirus cases, after reaching a plateau in April and May, are rising across the South and West, sparking fears of a resurgence. Many of these areas initially avoided major outbreaks but are now experiencing a surge in cases, including California, Arizona and

Texas, which all broke daily records in June for the number of new infections.

## First-Half Recap

The first half of 2020 can be summarized by one of the fastest market crashes ever and a quick and confusing recovery. For the first quarter of the year, the S&P 500 fell by 19.6%. For the second quarter, the index rallied by 20.5. Unfortunately, a nearly 20% loss followed by a slightly better than 20% rebound does not bring us back to 0%. It's still a 3.1% loss.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had the best equity returns in the second quarter. Small-cap stock, which are more sensitive to economic activity have struggled in the first half of this year.

## Conclusion

Given the large number of unknowns surrounding coronavirus, it is likely that volatility levels will remain high during the summer months and into the fall. The near-term economic outlook is very challenging. The spread of COVID-19 has not yet reached its peak in the U.S. As long as the rate of diagnoses continues to increase, commerce will be impaired, markets will be volatile and forecasting will be challenging. However, we believe that the long-term investment outlook has improved with a stronger economic picture next year.

# 2020 Market Returns

(Year to Date)

as of June 30, 2020

Broad Market Returns	
S&P 500	-3.09%
Dow Jones Industrial Average	-8.43%
Nasdaq	-12.74%
Russell 2000 - small cap	-12.99%
MSCI EAFE	-11.34%
MSCI Emerging Markets	-9.78%
US Bond Index	6.14%
Treasuries	8.71%
Corporate Bonds	5.02%
Municipal Bonds	2.08%
Foreign Bond Index	1.47%
Commodities	-19.40%

Domestic Stock Sectors	
Information Technology	14.95%
Financials	-23.65%
Health Care	-0.81%
Energy	-35.34%
Consumer Discretionary	7.23%
Consumer Staples	-5.66%
Industrials	-14.64%
Utilities	-11.14%
Materials	-6.92%
Telecommunication Services	-0.31%
Real Estate (REITs)	-8.53%

## S&P 500 Index

3 Month	18.63%
Year-to-Date	-3.09%
1 Year	7.49%
3 Year	10.71%
5 Year	10.71%

## MSCI EAFE Net Index

3 Month	14.96%
Year-to-Date	-11.34%
1 Year	-5.13%
3 Year	0.81%
5 Year	2.05%

## Barclays Aggregate Bond Index

3 Month	2.80%
Year-to-Date	6.14%
1 Year	8.74%
3 Year	5.32%
5 Year	4.30%

As of 6.30.2020

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