

# WealthManagement

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## Market Insights

*A periodic newsletter from Idaho Trust Bank*

*Major stock indices continue to rebound from the sharp decline experienced in the first quarter as economic activity benefited from 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 so far has been profound and resulted in a very uneven recovery. Although there is some optimism surrounding a potential vaccine for the virus, there is no definitive timeline, which adds to the uncertainty.*

## Economic Activity

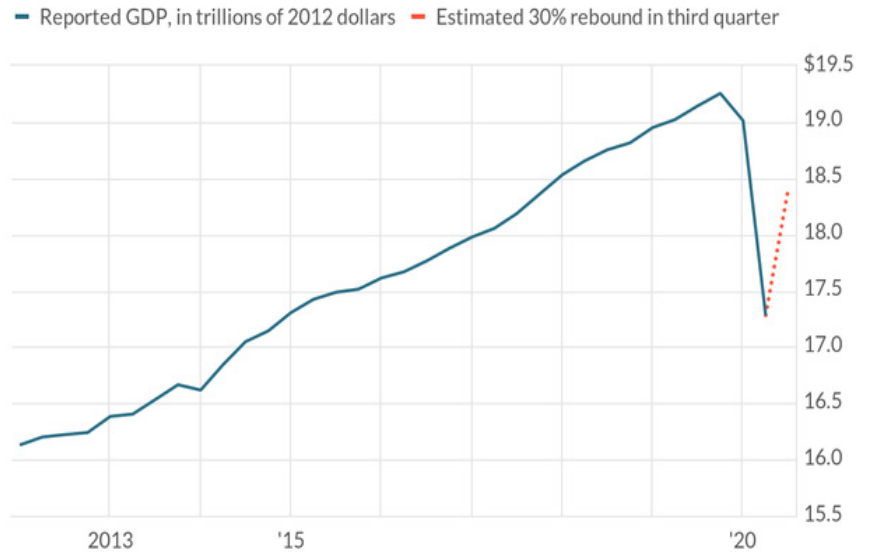
The economic data had been improving over the summer months but has recently begun to show some signs of slowing. There has been a slowdown in some forward looking economic indicators as momentum from recent relaxation in social restrictions has faded. Moreover, negotiations over additional government stimulus continue to be caught up in political wrangling. Recent minutes from the Federal Reserve (Fed) meeting confirm these issues. Fed members demonstrated concerns that the economy is slowing and additional stimulus was necessary to resume economic momentum. The minutes stated, “Many participants noted that their economic outlook assumed additional fiscal support and that if future fiscal support was significantly smaller or arrived significantly later than they expected, the pace of the recovery could be slower than anticipated.”

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.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

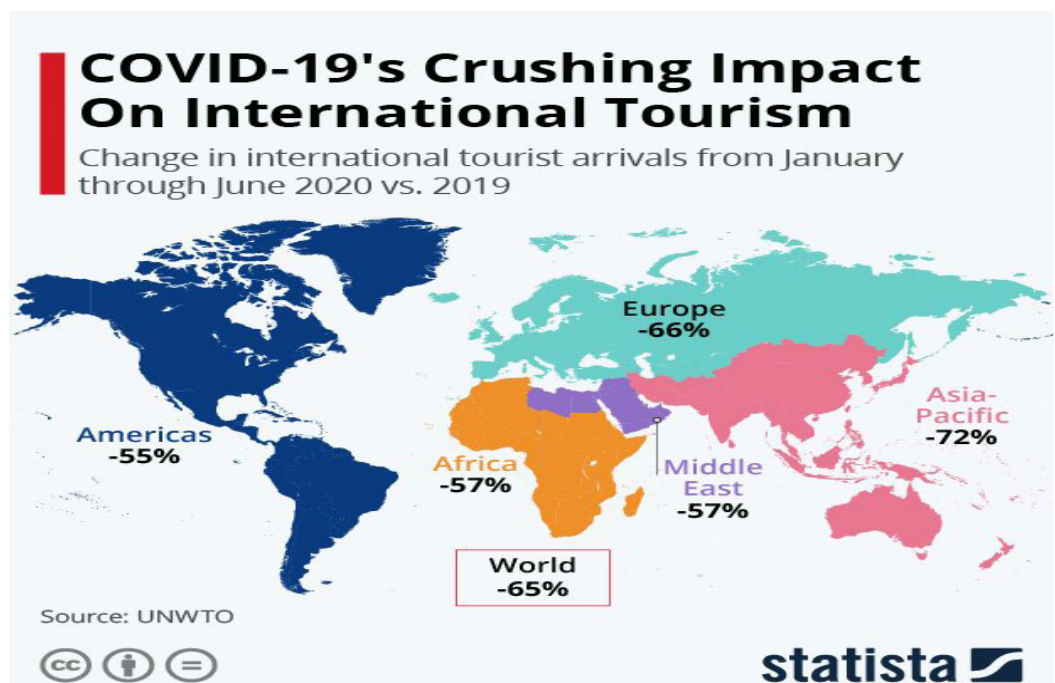
In September, the U.S. economy created 661,000 net new jobs, which was below many economists' expectations. While, this would typically represent an incredibly strong gain, the figure was the slowest gain of the past five months. The tremendous bounce back from the economic lockdown is starting to fade. The unemployment rate fell to 7.9%. Even though the jobless rate has been nearly cut in half since the April high, it remains higher than the peak rate experienced during the recession of the early 1990s. In simple terms, the U.S. economy lost 22 million jobs in two months. In the five months since then, the economy has recovered 11 million jobs.

Even big Q3 rebound would leave GDP in a big hole



Source: BEA via Haver Analytics

Economists expect that the third quarter GDP report will show a sharp rebound. However as noted in the chart above, a recovery of that magnitude will still leave levels well below the point when the Coronavirus emerged in the first quarter.



## Year-to-Date Recap

The first nine months of 2020 can be summarized by one of the fastest market crashes ever and a quick and confusing recovery. The impact of the virus has impacted industries in different ways. There are many areas that have experienced an uptick in activity levels, such as technology. So far this year, the Technology sector experienced a gain of 28.7%. This performance contrasts with areas, such as Energy, that have been hurt by a reduction in travel related activity.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had the best equity returns in the first nine months of 2020. Small-cap stocks, which are more sensitive to economic activity have struggled and have experienced some of the weakest return in 2020, along with commodities group.

## Conclusion

Given the large number of unknowns surrounding coronavirus, it is likely that volatility levels will remain high in the fall and into the winter. The economic outlook is very challenging for many areas of the economy, such as the Travel & Leisure industry. The ultimate path of the COVID-19 spread remains unknown in the U.S. Commerce levels will continue to be impacted by the virus and therefore, markets will be volatile and forecasting will be challenging in the near-term.

# 2020 Market Returns

(Year to Date)

as of September 30, 2020

Broad Market Returns	
S&P 500	5.57%
Dow Jones Industrial Average	-0.91%
Nasdaq	25.40%
Russell 2000 - small cap	-8.70%
MSCI EAFE	-7.09%
MSCI Emerging Markets	-1.16%
US Bond Index	6.79%
Treasuries	8.90%
Corporate Bonds	6.64%
Municipal Bonds	3.33%
Foreign Bond Index	6.07%
Commodities	-12.08%

Domestic Stock Sectors	
Information Technology	28.69%
Financials	-20.25%
Health Care	5.01%
Energy	-48.09%
Consumer Discretionary	23.38%
Consumer Staples	4.13%
Industrials	-3.99%
Utilities	-5.68%
Materials	5.47%
Telecommunication Services	8.60%
Real Estate (REITs)	-6.77%

## S&P 500 Index

3 Month	8.93%
Year-to-Date	5.57%
1 Year	15.14%
3 Year	12.26%
5 Year	14.12%

## MSCI EAFE Net Index

3 Month	4.80%
Year-to-Date	-7.09%
1 Year	0.49%
3 Year	0.62%
5 Year	5.26%

## Barclays Aggregate Bond Index

3 Month	0.62%
Year-to-Date	6.79%
1 Year	6.98%
3 Year	5.24%
5 Year	4.17%

As of 9.30.2020

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