BENJAMIN F. EDWARDS®
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FINANCIAL PERSPECTIVES

Summer 2020

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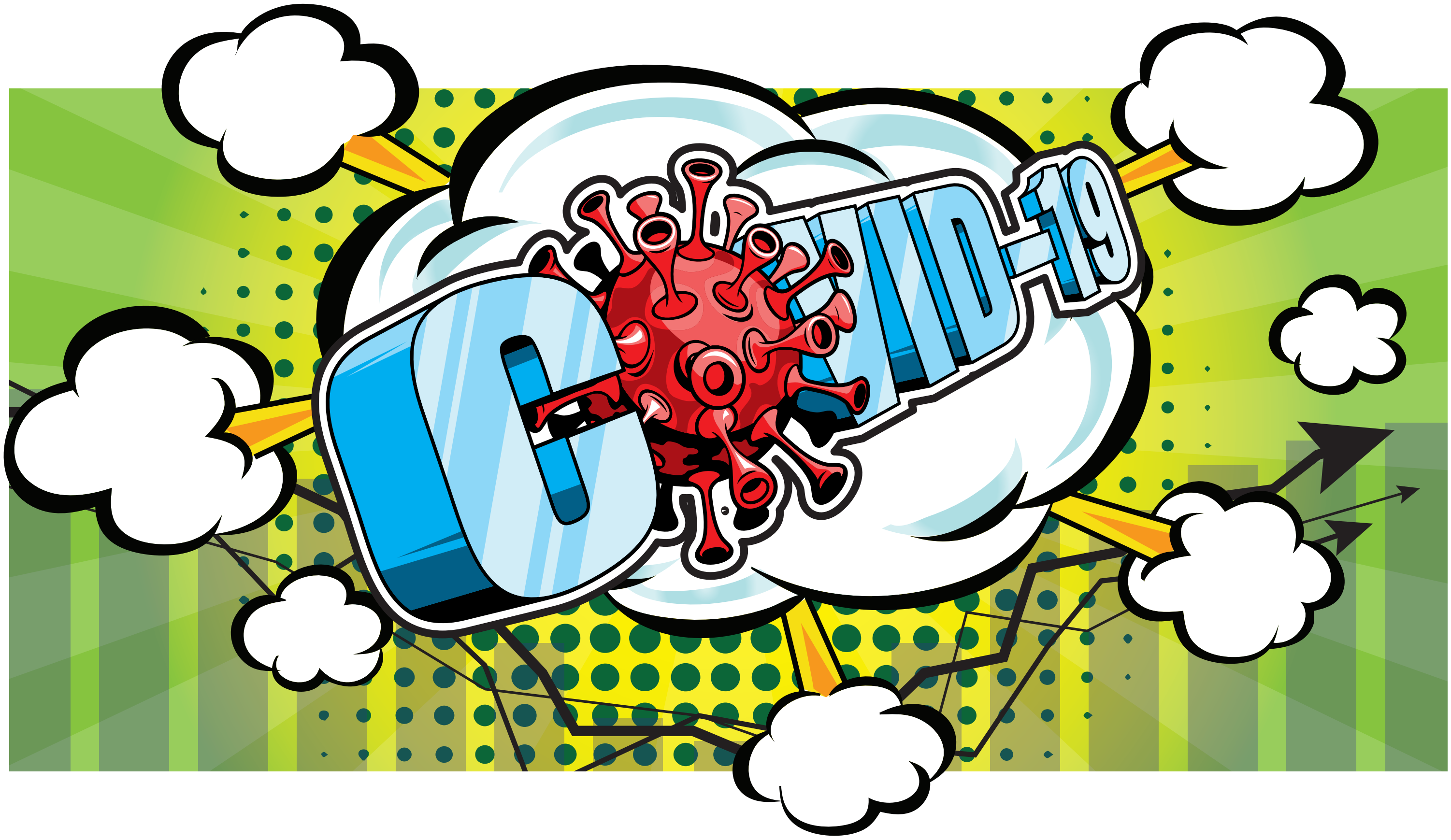
The Summer of 2020
Will the Markets Feel the HEAT?

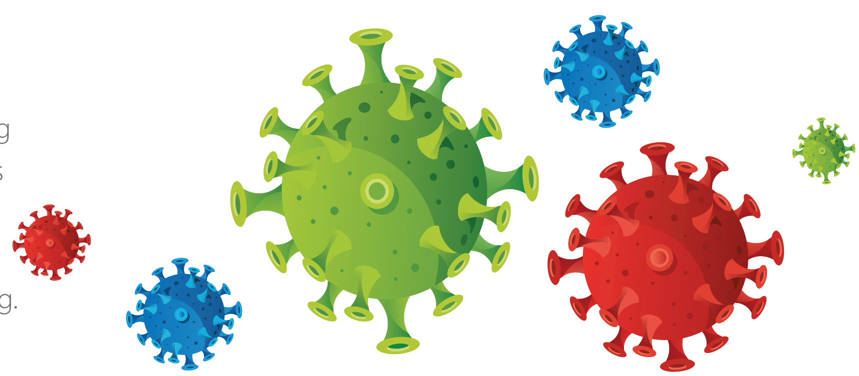


Over the past several months, we have endured challenges that would have been inconceivable as the calendar turned to 2020. The national and global economic shut-down brought on to fight the coronavirus pandemic, the approximately 41 million Americans who filed for initial unemployment claims, the hard-hit services and manufacturing sectors, and the still-unfolding decisions to re-open the economy have weighed on investor confidence, and this is likely to continue. A record number of workers have been furloughed and sadly some jobs will not come back. Many small business owners are making the difficult decisions to close permanently, shattering dreams and livelihoods. Working from home (WFH) and remote learning (RL) have become the new buzzwords as homes have taken on the new roles of offices and schools. Many of these variables will continue to be the "new normal" as we move closer to and through the second half of the year, all the while being cognizant that the virus continues to spread.

If we look back a few short months, the Dow Jones Industrial Average hit its record high of 29,551.42 on February 12. By March 11, nearly one month later, the DJIA had fallen back to 23,553.22. This 20.3% decline officially ended the 11-year bull market that began in March 2009. Also on March 11, the World Health Organization officially declared the coronavirus a pandemic. Some lost ground has been made up in recent weeks, as the S&P 500 gained 4.5% during May, but the key questions remain. Will there be a consistent market recovery? When will it begin? How long will it last? And how far back up to the February 12 high will it take us?

A major uncertainty is how the market will react to the many unknowns about COVID-19 including transmission, surges and multiple peaks, seasonality, mass-scale testing, contact tracing, continued social distancing and personal protection responsibility. We've heard the terms "V-shaped recovery" and "U-shaped recovery" among others, including a "swoosh" recovery which resembles a nearly flattened hockey stick with just a moderate slope. Some believe a more rapid re-opening of the economy could result in businesses quickly restoring jobs, with consumers returning to the marketplace and spending as restrictions are lifted. A "V-shaped recovery", in our opinion, does not sufficiently take into account the damage that has been done to consumer confidence and the trepidation many now have to move about freely. A "V-shaped recovery" places less emphasis on the underlying structural damage impacting the economy including Gross Domestic Product and manufacturing. The recent revision to first-quarter GDP pegged a negative 5.0% annualized growth rate with inventory accumulation being a large drag. Only a portion of the first quarter economic growth was negatively impacted by the pandemic and the hit to the second quarter is likely to be far greater, both from domestic and international sources as countries in the Southern Hemisphere are now reporting significant contagion. In looking at other components, consumer spending during April was down around 13.6% with the corporate profits slide continuing as shown by the year-over-year drop of 8.5% as of the end of the first quarter, again with just a portion of the quarter being impacted. Estimated full-year 2020 S&P 500 earnings are now indicating a decline of 20-24%. Many economists forecast a gradual improvement in these metrics later this year and into next, but consistent improvement may be fleeting on expected coronavirus flare-ups.

Just as it has been suggested that we follow the medical data when re-opening and determining our own personal responsibility with the coronavirus still raging, a sustained market recovery should reflect improved economic data in order to strengthen investor confidence that the markets are not getting ahead of themselves. A sustained market rebound supported by economic data would suggest a "U-shaped recovery" as a best-case scenario, with the elasticity of the bottom of the "U" still unknown if economic growth just treads water. A recent survey of economists suggests most believe we are in a recession that may last into 2021. If high unemployment remains an issue depressing consumer spending and dimming the incentives to ramp up manufacturing, and if health concerns are not mitigated by a coronavirus vaccine or successful treatment, we could remain near the bottom of the "U" for quite some time before beginning to gradually move up the second arm. The April Unemployment Rate ballooned to 14.7%, improved to 13.3% during May, while in February 2020 it was 3.5%, near a 50 year low. The economic shut-down erased a decade of jobs growth during April, and some estimates for an employment rebound may be too optimistic. Consumer spending as well has a long trek upward to return to pre-pandemic levels. Both argue against a V-shaped recovery.



As we continue to swim in these unchartered waters, we suggest you maintain close contact with your financial advisor. Personal situations have changed for many Americans this year, and the market conditions may have also caused your portfolio to shift away from your goals and objectives. Several key questions to ask your financial advisor include "is the amount of risk inherent in my investments still consistent with my tolerance levels? Am I properly allocated among asset classes and am I sufficiently diversified among the 11 economic sectors? Has my investment time horizon shifted?"

A Financial Product That Offers Peace of Mind During Uncertain Times

These last few months have demonstrated how connected our world is. In addition to the virus spreading, financial anxiety is also spreading across the land. While annuity products cannot make you immune from a virus, they can help relieve your financial anxiety by contractually guaranteed* products that can be designed to fit your needs.

When the market swings wildly as it has recently, would you feel better if you had a certain portion of your assets in a contractually guaranteed* product, issued with a strong insurance carrier, that provides a (financial) benefit that couldn't change regardless of market conditions? If so, a discussion of various annuity products with your advisor might be in order. He or she can help design a plan to help alleviate your most pressing concerns by adding riders and investment features that fit your profile.

Also, if you already own an annuity, it may be a great time to revisit the features and benefits of the policy. Often additional dollars can be added to an in-force contract that may be able to provide value that couldn't be offered with a new product in the marketplace today.

Annuities are long-term investment vehicles and will often have surrender charges, so you should be sure to have enough liquid assets outside of an annuity. In addition, other fees and expenses can vary greatly by product and features selected. Because of the complexity of annuities, you should always understand the features, risks and costs prior to making a purchase. Your financial advisor can help you analyze your situation and discuss various options as a complement to your portfolio.

**All annuity guarantees are subject to the claims-paying ability of the issuing company.*

A Few Ideas for Summer Fun

Travel by Car

Staying closer to home this summer? Consider a few day trips to nearby places you and your family haven't seen. Pack a picnic lunch or even dinner. Eat under the stars. Look to nearby state parks or forest reserves that are less populated that may offer hiking trails or rivers for kayaking, canoeing or rafting. If you like camping or want to extend your trip, consider renting an RV.

Make Your Stay-cation an Adventure

- Camp in your backyard, have a bonfire with S'mores.
- Get a big screen and make your own drive-in movie night. Dress as car-hops and take the kids' snack orders with popcorn in bags, trays for nachos and other movie treats.
- Set up family contests such as karaoke, a dance off, or talent show.
- Take a bike ride around your town or create a scavenger hunt full of local trivia or fun facts.
- Make your own ice cream social in the backyard with all the toppings!

Tips to Remember

Whether at home or away, remember these tips:

- Social distance at least 6 feet from others when you are indoors or outdoors.
- Remember to wear your face covering.
- Be sure to keep disinfectant wipes with you and wipe down surfaces frequently.
- Keep hand sanitizer and soap handy for frequent hand washing.
- Avoid touching your face—eyes, nose and mouth.
- Avoid mass transportation as much as you can.
- Don't share sunscreen or lotions with others.

Social Media Reminder

Stay in touch on market and investment perspectives from Edwards, as well as news to help you prepare for life's milestones, by following us on social media. Our latest updates are posted throughout the week on Facebook, LinkedIn and Twitter and are also available at **benjaminfedwards.com**.

Required Minimum Distributions are Suspended in 2020 – Some RMDs May Be Redeposited

Required minimum distributions (RMDs) from IRAs, inherited IRAs, 401(k)s and other workplace retirement plans (excluding defined benefit and some 457 plans) have been suspended in 2020. No distributions are required until 2021. RMDs taken between February 1 and May 15 may be returned by July 15 as a timely rollover contribution to avoid income taxation.

NOTE: RMDs taken in January 2020 are currently outside of the 60-day and July 15 extended 60-day rollover window referenced above and cannot be re-deposited. Also, if you received more than one distribution from your IRA, such as monthly or some other form of periodic payments, you can only roll over one of the distributions. The one-rollover-per-12-months rule for IRAs prevents you from adding up your periodic payments and rolling over the lump sum total.

MARKET RECAP

Market Summary (As of June 1, 2020)

	YTD	Trailing 12 months	3-Year Annualized	5-Year Annualized
DJIA	-10.06%	4.83%	9.05%	9.76%
Nasdaq	5.76%	27.33%	15.25%	13.34%
Russell 2000	-15.95%	-3.44%	1.98%	3.72%
S&P 500	-4.97%	12.84%	10.23%	9.86%

Sources: Benjamin F. Edwards & Co. and Bloomberg

U. S. Stock

Performance of S&P 500

Index Total Returns for periods ended May 29, 2020

Sector	Weightings	YTD	Trailing 12 months	5-Year Annualized
Info. Technology	26.2%	7.29%	38.42%	20.65%
Health Care	15.2%	1.61%	21.15%	8.60%
Comm Services	11.0%	0.21%	16.42%	6.79%
Cons Discretionary	10.5%	2.13%	15.58%	12.25%
Financials	10.4%	-23.37%	-7.83%	5.42%
Industrials	8.0%	-16.32%	-3.81%	5.77%
Cons Staples	7.1%	-5.34%	9.39%	6.90%
Utilities	3.2%	-6.79%	6.09%	9.86%
Energy	2.9%	-34.49%	-29.25%	-9.57%
Real Estate	2.8%	-11.56%	-2.46%	6.29%
Materials	2.5%	-8.89%	8.14%	4.15%

Ranked by highest to lowest index weightings
Weightings may not equal 100 due to rounding
Source: S&P®

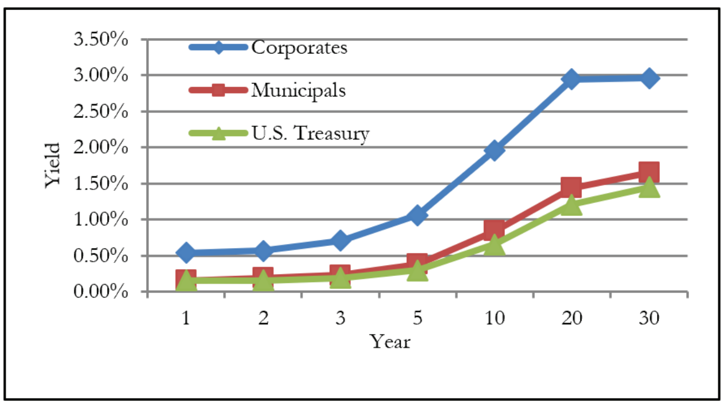
	U.S. Treasury Yields
Two-year	0.16%
Five-year	0.30%
10-year	0.66%
30-year	1.45%

Sources: Bloomberg (as of June 1, 2020)

Securities Research Bullet Points

- Market volatility is likely to remain very high as we move into and through the summer months while the devastating economic impacts of the coronavirus-induced economic shut-down continue to be very difficult to unwind. In addition to a record-high unemployment rate of 14.7% in April – and perhaps approaching 20% during May – an unprecedented jump from 4.4% in March, we've seen the hurdles which must be overcome in dismal posts for retail sales, industrial production, manufacturing, capacity utilization, new and existing home sales, and the services sector which is a major employer and the backbone of many regional economies. The consumer helped carry the economy during 2019 and leading into this year. The pandemic put the brakes on consumer spending and a shift in consumer sentiment is necessary to improve investor sentiment. Historically, consumer sentiment has been gauged by how we perceive our economic well-being. This is even more of a hurdle now as consumer sentiment takes on an additional large-scale health risk dimension. Two key metrics to watch are the Conference Board Index of Consumer Confidence and the University of Michigan Consumer Sentiment Index. The latter is published mid-month and each month-end.
- A lesser-watched economic index may be able to provide a glimpse into the continuing fragile employment conditions. As more pieces of the economy reopen, some jobs will be gone permanently causing a shift in worker demand. The JOLTS report, published by the Bureau of Labor Statistics, short for Job Openings and Labor Turnover Survey, may provide some less-visible data. JOLTS measures job vacancies, positions that exist and for which the employer is seeking to fill within the next 30 days, and there is active recruiting for workers outside the organization. This could help to gauge the number of positions for which, for whatever reason, current employees choose not to return. This then would open opportunities for new job seekers or those seeking to change positions.

Fixed Income Yield Curves
As of June 1, 2020



Extended 2019 Income Tax Deadlines Quickly Approaching

July 15

- Filing 2019 federal income tax returns (some states also extended their income tax filing deadlines, individual tax payers will need to confirm the filing requirements for their state of residence)
- Paying 1st and 2nd quarter federal 2020 estimated taxes
- Opening and making contributions to traditional IRAs and Roth IRAs
- Establishing and funding SEP IRA plans for sole proprietors and partnerships for 2019 (unless filing under extension)
- Correcting excess contributions or recharacterizing IRA contributions (traditional to Roth or Roth to traditional)
- Rolling over RMDs or other distributions that were taken between February 1 and May 15.

Fixed Income Bullet Points

- Due to the unprecedented economic disruption of SARS-CoV-2 (the coronavirus) in concert with the oil market shock, aggressive steps were taken by the Federal Open Market Committee (FOMC) of the Federal Reserve to quickly lower interest rates and provide needed liquidity to the US economy. Since our last edition, the 2-year Treasury Note is 72.5 basis points lower, dropping from 91.5 bps to 19 bps. The 10-year note has fallen from 115 bps (or 1.15%) to 66 bps, a reduction of 49 bps. These quick actions, as well as additional funding mechanisms that have been created, have stabilized securities prices. The market will now be looking for steady cashflows and balance sheet stabilization over the next several quarters to justify the pricing moves we have witnessed.
- The municipal and credit (corporate) markets over the last three months have been exceedingly volatile, with sheer panic manifesting in March and April. Any credits that were heavily cashflow and receipt-dependent were viewed skeptically as to the ability to cover their debt service requirements. Specifically in the municipal space, mass transit, convention centers, sports arenas, nursing homes, small universities (non-state funded) bonds have seen the most pressure or pricing breakdown. This skepticism could be persistent as long as the coronavirus is progressing through the population. The market is closely watching the reopening process across the country and paying close attention to the case numbers.

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