



STRAIGHT TALK

2nd Quarter 2020

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Year to Date Market Returns

Domestic Large
S&P 500
-3.08%

Domestic Small
Russell 2000
-12.98%

Intl Developed
MSCI EAFE
-11.34%

Emerging Markets
MSCI EM
-9.78%

Fixed Income
BBgBarc US
Aggregate Bond
6.14%

*Returns are from Morningstar,
with dividends reinvested, and
are through 6/30/20

2020 is only half way done and it has already been one for the record books. From the fastest ever decline into a bear market, to one of the swiftest and strongest market recoveries on record, we've essentially experienced two years of market moves in two quarters. It's hard to say what markets may do in the short-term, but investors should be prepared for anything. With the spread of the virus once again accelerating as states make efforts to reopen, and the election looming, there is more potential for choppy stock markets. Now more than ever we shouldn't lose sight of the larger forces at play, as we believe that they will be the dominant drivers of long-term returns.

Right now the virus and its impact on the economy remain the main focus of investors and will likely continue to impact the day to day movements of stocks. The elections are also coming closer and focus is going to increasingly shift to predicting outcomes. It seems like a good time to remind anyone reading that while policy can have some influence on markets, there are more important factors that affect stocks and bonds. We would argue that we are in the midst of a new phase of the Digital Revolution (and still in a secular bull market) which will have far more profound impacts on markets than who the president is or who's in control of congress. News outlets may try to convince you otherwise, but as things get silly, as they usually do around this time, it's best to ignore the noise.

The world is going digital. What started in the 90's and early 2000's with the proliferation of the internet and personal computing has evolved with the growth of mobile devices and faster and more powerful connections. Now COVID-19 has acted as an accelerant that is bringing about a wave of changes that we are just beginning to witness. Technology is unique in that it has the ability to cross sectors and industries and the line of what is and isn't a tech company is increasingly blurred.

You don't usually see a bank move into media or an energy company trying to provide healthcare, but companies that utilize new technologies and create new platforms have the potential to cross any and all areas of the economy. Some of the most notable examples are companies such as Amazon, Netflix and PayPal. Though none are classified as tech companies, all have utilized technology to change industries. It may be an oversimplification, but perhaps the first step in evaluating a company for investment should be are they either creating, enhancing, or incorporating new technologies to somehow differentiate themselves? If not, they may be dead already and not know it. These changes have impacts in society, as an ever-connected world faces questions of access, equality, and control, which are playing a role in the social and geopolitical unrest seen globally. Change can be scary, especially when it happens so quickly, but it also creates new opportunities and in this case has the potential to improve life for everyone.

Getting back to the here and now, after the rollercoaster ride we've been on in the first half of the year, it wouldn't surprise us if markets were generally flat this quarter. There will be a lot for investors to digest as earnings season gets underway and pundits try to decipher meaning from the clearly distorted economic readings. Looking at the bigger picture, we continue to see a lot of great investment opportunities, and we won't let short-term events distract us from the more important story. Enjoy the summer, and know that we are watching your accounts and will continue to make adjustments as needed.



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