# ~ Prevailing Winds ~

CHARTER RESEARCH *and* INVESTMENT GROUP

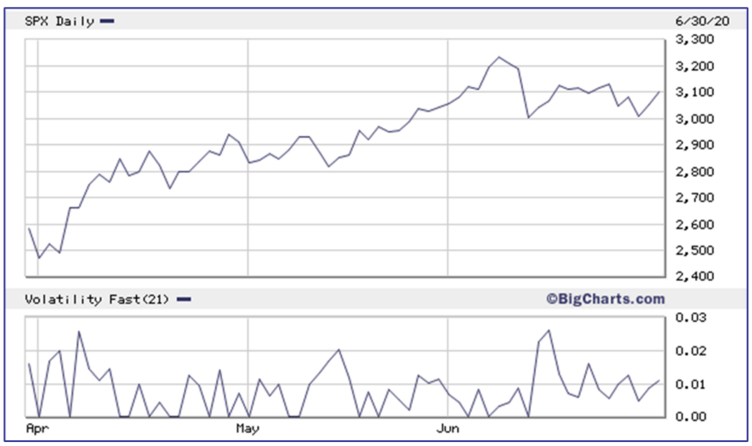
***A Quarterly Market Update*** ***June 30, 2020***

## Quarterly Recap:

As expected, the financial markets reacted to the news flow surrounding Covid-19. An explosive rally ensued as hot spots such as New York became more manageable and the Federal Reserve was able to successfully supply liquidity to the financial system. As we celebrated partial reopenings, investors seemed to slowly come to terms that getting back to life as we knew it will not be quick or seamless. Recovery will be a process. As such, the financial markets have traded within a range in the final weeks of the quarter.

## Quarter Ending June 30, 2020

| Equity Indexes | Close | % Change |
|---|---|---|
| DJIA | 25812.88 | 17.8% |
| S&P 500 | 3100.29 | 20.0% |
| NASDAQ | 10058.77 | 30.6% |
| **Treasuries** | **Close** | **Change** |
| 10-Year Yield | 0.66% | -0.04 |
| 2-Year Yield | 0.16% | -0.07 |

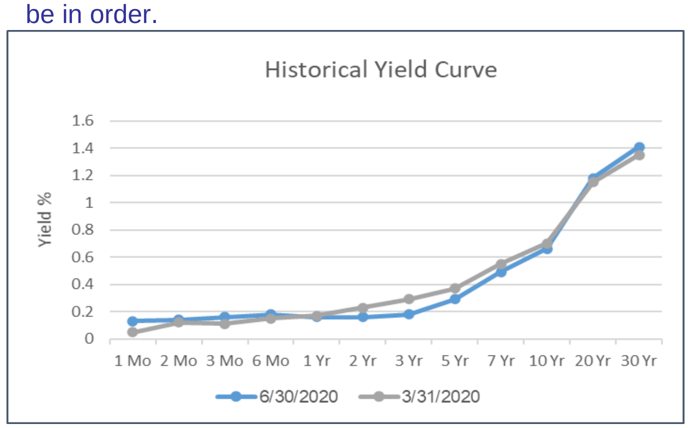



## The Stock Market:

Equity markets frequently produce their most spectacular returns while recovering from periods of unexpected duress. What is not so certain, is when these explosive "recovery rallies" will occur. This is one reason why market timing can be such a precariuus strategy. What is surprising to many is why/how the stock market can recover while the economy is still in quarantine. The answer basically is that investors are looking forward, anticipating an eventual return to "normal". As we move forward, the primary concern will be valuation. Given current conditions and the level of uncertainty, a pause would be in order.

## The Bond Market:

The shape of the Yield Curve is now a bit more normal- with long term rates higher than short term rates. Such a "normal" shaped curve indicates a generally optimistic attitude towards future economic conditions. What is quite unusual, however, is the absolute level of rates and the small spread between short-term and long-term yields. The low rate environment poses a significant quagmire for investors. Is it attractive to receive .66% for a ten year U.S. bond? For most, the answer is NO! The challenge is to balance the need for income against the need for portfolio stability.




## Looking Ahead:

The past several months have been a struggle on many different levels. The pandemic has been a source of many tragedies and sleepless nights. The markets continue to display all the features of a great roller coaster ride, eliciting both fear and joyous thrills. As we proceed, we constantly remind ourselves to avoid some of the distractions of the day to day and focus on the long-term. In the end, the "tried and true" approaches prove their merit. The antidote for uncertainty is persistence and perseverance.