TINGEY ADVISORS
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Summer 2020 Newsletter **www.tingeyadvisors.com** **801-352-8166**

Benchmarks

	30 June 2020	31 Mar 2020	30 June 2019
S&P 500	3,100	2,585	2,942
DJIA	25,813	21,917	26,600
NASDAQ	10,059	7,700	8,006
6-mo US Treasury Yield	0.18%	0.15%	2.09%
30-yr US Treasury Yield	1.41%	1.35%	2.52%
Prime Rate	3.25%	3.25%	5.50%
Federal Funds Target Rate	0.00%	0.00%	2.50%
30yr Mortgage	3.30%	3.85%	3.90%
Gold – per oz	$1,793	$1,583	$1,409
Oil - WTI / bbl	$39	$20	$58

Sources for Newsletter: WSJ, Barron's, Bloomberg, NBER, Blackrock, US Treasury, Bankrate

Stepping away from the abyss…

Three months ago, we were staring into the abyss. Living in a locked down world watching virus hotspot flares in New York, Italy, Spain and other locals. The US Congress was working together (imagine that) to provide consumers and businesses financial support to the ravages of shutting down the economy. The resulting CARES Act and PPP were designed to keep consumer and business's alike afloat through the shutdown and keep a link between job-providers and jobseekers.

Public health policies to remediate the impact of the coronavirus were designed to protect public health but were detrimental to economic health of corporations in the short run. Yet, success in the public health arena leads to long run economic success for corporations. The question that investors are trying to understand is how much damage the economy sustained by the public health measures designed to flatten the curve of the virus' progression.

While we are just in the early innings of this battle, we nevertheless note the wave of corporate failures that seems inevitable has yet to materialize. There have been high profile bankruptcy filings from financially wobbly corporations like JC Penny & Co, Neiman Marcus Group and Hertz Global Holdings. Stay at home orders were too much for their leveraged balance sheets and declining markets and they tipped over. However, for the most part, the picture for healthier companies has brightened considerably over the past quarter, thanks in large part to the Federal Reserve's supportive policies. The Federal Reserve's actions allowed companies that were thriving before the pandemic and are in growth industries, such as Boeing, General Motors, and Royal Caribbean Cruises, to raise significant amounts of wall street capital to provide needed liquidity.

The most telling measure of the public health induced recession is what is happening to jobs. Weekly claims for unemployment insurance have exploded, as over 50 million people have filed for unemployment benefits. However, the job creation has also been impressive as the unemployment at 11.1% is undoubtedly high, but it is much less than expected. Job losses were steep and fast. The road back will be slower as corporations hire back only the most productive at first due to their cautious stance.

We do not know, nor do we think anyone knows with certainty how long it will take to reclaim the strong pre-pandemic economic condition. However, we do know that the toll in lives lost to the disease will be great. The challenge for the country is that the remediation strategies cannot go on forever. Otherwise, the economic devastation will turn into spiraling bankruptcies, poverty, homelessness, mental health, and other physical health issues. The economy needs to be reopened but in a manner that will allow the health care system to be as effective as possible, balancing the needs for public health with economic stability.

Stocks:
The coronavirus shutdown sent markets plummeting with U.S. stock market enduring its worst quarter since the depths of the great recession of 2008. However, the resiliency of the U.S. economy amid a tentative national reopening and massive federal stimulus allowed US stocks to recover much of the lost ground. US stocks logged their best quarter in more than twenty years.

Three months ago we were bidding farewell to the longest economic expansion on record when stocks lost approximately 35% of their value in six short weeks. Massive fiscal and monetary stimulus was the medicine for intentionally blowing a multi-trillion-dollar hole in the world's largest economy. At the time the medicine was administered many pundits were opining on whether the stimulus would result in a 'V-shaped' (quick) recovery, or a 'U-shaped' (prolonged) recovery. The answer to that question was hotly debated but, in truth, all were really feeling their way in the dark. The answer to that question lies in the type of impact the coronavirus would inflict on the public health but also on consumer's attitude and willingness to participate in the economy. Science and public health were going to ultimately be the key to that economic question.

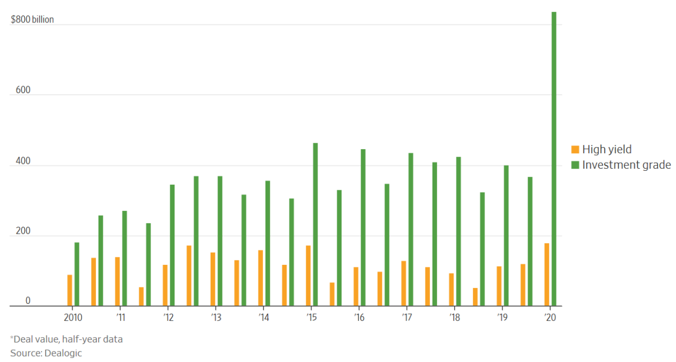
The S&P 500 finished the quarter up 20% to end at 3,100 just 130 points or 4% below where it began the year -- that is the largest percentage gain since 1998. The Dow Jones Industrial Average rose 18% to 25,813, 2,725 points below where it began the year and concluded its best quarter since 1987. The technology heavy Nasdaq Composite fared the best by far surging 31% these past 90 days and is up 12 percent for the year.

Commodities:
Gold rose 13 percent in the quarter, closing out its best quarter in four years as investors continued their flee to safety. Stocks increased as the economy reopened, but gold rallied right along with stocks as investors remained bullish on gold as uncertainty on the direction of the coronavirus pandemic remains high

Oil prices experience the most dramatic price changes of any asset during the quarter. An ill-timed oil production war between Russia and Saudi Arabia as world demand was falling, left a glut of oil on the world market that ultimately drove the price of oil negative for a couple of days. Investors were literally paying people to take their oil contracts off their hands so they wouldn't have to take delivery and store the crude. Oil production cuts agreed to by OPEC and others ultimately restored order to the world oil markets and the price of US crude rose to a more reasonable $39.27 per barrel.

Bonds / Interest Rates:

The Federal Reserve's "do whatever it takes" attitude resulted in massive intervention in the fixed income markets during the quarter. The Feds' stated objective was to drive down rates and provide liquidity – they accomplished both. As a result, investment-grade corporations took advantage of the low rates and favorable market to issue a total of 840 billion of new debt in the first six months of 2020. That matches the previous FULL year record set in 2017 and roughly doubled the previous first half record set in 2016.



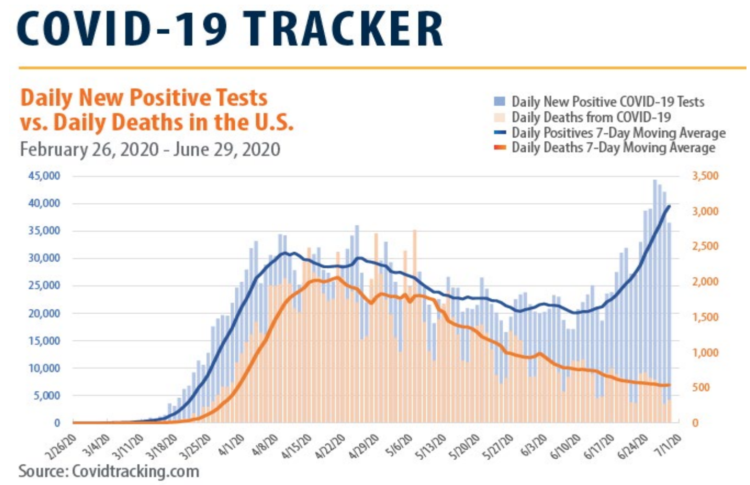
Not to be outdone by investment grade credits, the junk bond market got into the act as well. In an eerily strange situation, riskier junk bond credits issued $180 billion in new debt at a time when the economy was just beginning to emerge from the public health mandated shutdown and great economic uncertainty remained. A lesson that the Fed has the power to remove much (not all) uncertainty.

Yields did not move much in the quarter in the treasury market. The long bond yield inched higher from 1.35 percent to 1.41 percent in the quarter as the economy began to open. On the short end, the six-month T-bill snuck higher by 3 basis points.

In Summary

June 30, 2020 marked the end of one of the most dramatic and traumatic quarters in our memory. The coronavirus pandemic induced changes to our lifestyle; public racial protests and discontent from the horrific killing of George Floyd while in the custody of police; rioting; and, oh ya, economic uncertainty and stock market volatility! Yet what remains underlying all the tumult is a very resilient economy and capital market because of resiliency and grit of the underlying citizenry. In the face of pandemic fear, racial riots, discontent… science moves steadily forward. The key to calming the stock market volatility is finding tools to fight the coronavirus. On this score there has been unambiguous progress. Antiviral therapies that lessen the severity and duration of the disease; public health mandates to slow the spread of the virus; standards of care that are improving patient outcomes and of course breakneck pace of vaccine development that gives investors confidence.

The virus is advancing and even spiking in some areas but quietly science is moving faster. We have learned a lot about the disease, and we are making significant progress as shown by the moderate fatality rate in the face of spiking new cases. Citizens can do things to slow the spread, giving precious time but science is bold, impressive, determined and on track.



Concern for the health of our loved ones is on the top of our minds, but we also realize that we cannot go on in "shutdown mode" forever. We rely on governments, corporations, churches, civic groups, individuals, and neighbors to do the right thing. And we pray each night for the heroes in each medical facility or laboratory who carry us through this. Hardship makes us stronger and we know that we will get through this challenge.

You have undoubtedly seen many memes addressing our current situation. One such meme was sent to me by my daughter that referenced a foreign theme park where the roller coaster riders were asked to refrain from screaming to prevent the spread of Covid-19!!! Instead, the theme park suggested "*screaming in your heart*"! Such has been the 2020 experience!!! There has been ample opportunity to scream, even though sometimes it is just in our heart. But our experience with the capital markets remind us that, scream all we want, Americans grit their teeth and work through challenges. We believe we know how this fight ends… science wins.

We pray for you and your family's health and safety. We also pray that we will emerge from this with a greater commitment to each other, and to the principles that make this country great.

Our investment strategies change with market conditions, but our principles do not. Our long-term optimism remains intact. We recognize that during complex market times, communication is important. It is a privilege working for you. We appreciate your confidence in us, especially during uncertain times.