

Spring 2020

Market Update

(all values as of
06.30.2020)

Stock Indices:

Dow Jones	25,812
S&P 500	3,100
Nasdaq	10,058

Bond Sector Yields:

2 Yr Treasury	0.16%
10 Yr Treasury	0.66%
10 Yr Municipal	0.86%
High Yield	6.81%

YTD Market Returns:

Dow Jones	-9.55%
S&P 500	-4.04%
Nasdaq	12.11%
MSCI-EAFE	-12.59%
MSCI-Europe	-14.03%
MSCI-Pacific	-10.25%
MSCI-Emg Mkt	-10.73%

US Agg Bond	6.13%
US Corp Bond	5.03%
US Gov't Bond	7.20%

Commodity Prices:

Gold	1,798
Silver	18.55
Oil (WTI)	39.61

Currencies:

Dollar / Euro	1.12
Dollar / Pound	1.23
Yen / Dollar	107.39
Dollar / Canadian	0.73

Dear Friends,

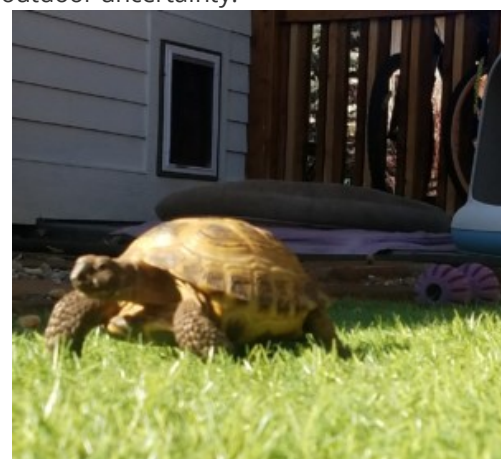
Due to weeks of frequent washings, the skin on the back of my hands looks like paper mache on a Jackson Pollock Painting! That is pretty much the extent of my personal suffering during the Pandemic. Thank you to those that are doing the important work to keep us safe! This community, country, and planet are dealing with challenges that will define our generation and perhaps affect lasting changes for our species. I feel guilty that I cannot do more to help those who are truly suffering, but I am also feeling grateful for my family, community, and for limiting the number of clients I serve so that I may sleep well at night knowing I've done all I can for them.

Regarding your money, the line I'm often quoting to clients is 'The Market can remain irrational longer than one can remain solvent' attributed to economist John Maynard Keynes. If you embrace this, it means that you are able to protect your money from the uncertainty of the moment. A good financial plan has to work for the unpredictable times, like now when the future seems less bright. Our plans seem to be working just fine.

Currently, the stock market seems irrational. The S&P 500 dropped 30% in a matter of days and now seems to have snapped back too quickly for the damage already done, which we are still working to understand. Fortunately, it appears that the USA is still both a) the safest place for wealth on the planet, and b) has the best 'credit card'. Money is chicken, and the US is the coop. This seemingly unlimited credit line will continue... until it doesn't. Ultimately, this money gets paid back by you and me. However, with every country on the planet dealing with the same catastrophe, it seems unlikely the US dominance will be challenged any time soon.

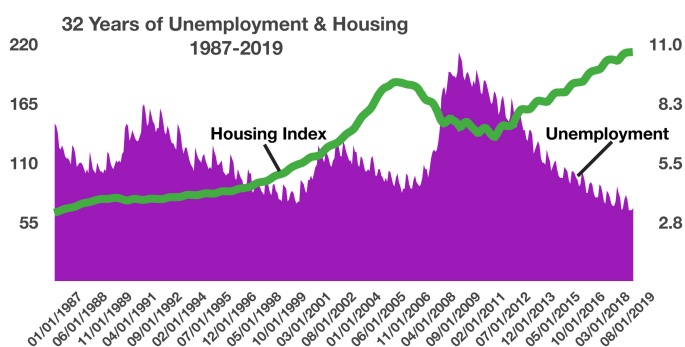
There will be more scary times to test us tomorrow and in the decades to come. For direction, consider Franklin, our adopted turtle from Jamey's preschool (currently closed). Franklin is certainly one of our favorite pets ever! I take cues from him on long term investing, and how to be a good listener. Most always Franklin lives in his terrarium, but occasionally we take him out for a romp in the Spring glory of Montana. When we let him loose in the yard he immediately becomes a different turtle, 'bolting' in any direction in a manic effort to once again find comfort from the outdoor uncertainty.

Whether it's a turtle outside or an investor watching too much news, we all are uncomfortable with this level of uncertainty. But without risk, there is no reward. I sincerely hope you and all those you love are healthy, both in mind and body. This too will pass, and even a new normal will allow us to enjoy fulfilling lives.



How The Housing Market Is Being Affected – National Housing Update

We are lucky to live in Montana in the Springtime! It seems that someone let that secret out and the local market seems ever hotter than ever. However, nationally, a drop in mortgage rates to near historic lows may not be enough to offset a decline in demand for home buyers. The ongoing travel and socialization restrictions are inhibiting would be home shoppers from viewing and buying properties. Of the various factors influencing the housing market, employment is the most significant. No matter how low mortgage rates are, if someone is unemployed, they won't be able to make a mortgage payment at all, much less get approved for a new purchase. Historically, rising unemployment rates have been detrimental to the housing market. The last housing contraction, as measured by the Federal Reserve's House Price Index, occurred in 2008 and 2009, when unemployment peaked at 10% in October 2009. Some economists believe that an extended period of elevated unemployment will negatively impact the housing market.

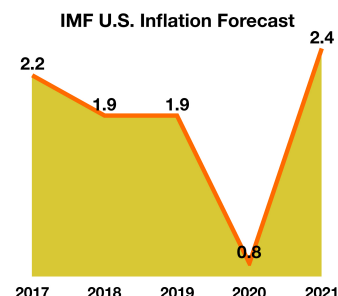


In addition, the onset of forbearance allowance for homeowners as enacted by the CARES Act has put lenders in precarious positions. The Federal Housing Finance Agency estimates that there were **roughly one million mortgages in forbearance at the end of April**, representing 7% of government held mortgages by the agency. (Sources: Federal Housing Agency, Fannie Mae, Federal Reserve)

How Inflation May Eventually Return – Consumer Sentiment

The enormous monetary and fiscal stimulus actions launched by the Federal Reserve and Congress entail billions of dollars in newly issued government debt, thus potentially driving down the value of the U.S. dollar. When countries issue and carry additional debt, the value of their currency tends to devalue relative to other currencies, thus making imports more expensive. Ironically, a weaker U.S. dollar also makes the U.S. more competitive as U.S. exports become less expensive worldwide. The FDA also reported that the recent closures of several large meat plants will not necessarily lead to shortages, but may result in fewer options for less expensive products. The International Monetary Fund (IMF) estimates inflation for countries worldwide based on various factors. The IMF projects that inflation in the United States will increase through the remainder of the year and again in 2021 to 2.4%.

Two macro economic occurrences signal a probable rise in inflation. The first is the rapid increase in the U.S. Money Supply, also known as M2, which includes money market funds, checking deposits, and actual cash. Historically, an increase in the M2 has led to inflationary pressures in some instances. The second occurrence is the potential unwinding of globalization with a renewed focus on domestic production. Globalization is now in danger of retracting, as trade fears among countries has heightened due to the extensive exposure of the virus worldwide. Heightened tensions between the United States and China have also created the notion that a decrease in low-cost Chinese made imports may materialize. (Sources: FDA, U.S. Dept. of Agriculture, International Monetary Fund)



Typical Scams Surrounding Coronavirus – Consumer Awareness

The Federal Trade Commission (FTC) posted a handful of identified scams circulating throughout the country as a result of the coronavirus outbreak. Scammers are exploiting consumer fears and paranoia by targeting wary victims via email, phone, and text messages.

Below are various scams to be aware of and what to do:

- 1-Don't respond to texts, emails or calls about checks from the government. It is very rare that government agencies contact consumers directly.
- 2-Ignore online offers for vaccinations and home test kits. There are no products proven to treat or prevent COVID-19 at this time.
- 3-Hang up on robocalls. Scammers are using illegal robocalls to pitch everything from low-priced health insurance to work-at-home schemes.
- 4-Watch for emails claiming to be from the CDC or WHO. Use sites like coronavirus.gov & usa.gov/coronavirus to get the latest information. Don't click on unknown links.
- 5-Be increasingly weary about charitable organizations claiming to need assistance due to the coronavirus.

(Source: FTC: <https://www.consumer.ftc.gov/features/coronavirus-scams>)

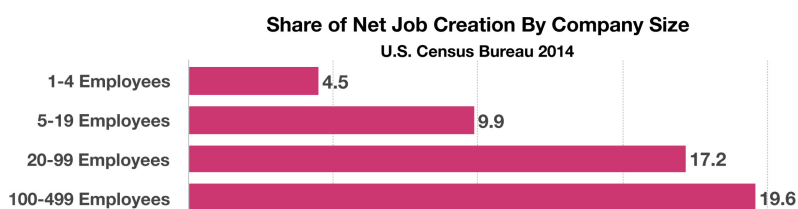
Why Small Businesses Are So Important To The Economy – Domestic Economy

Just like Montana, the whole country is composed of millions of small businesses from home-based one person consultants to hair salons and manufacturing companies. As defined by the SBA's Office of Advocacy, a small business has less than 500 employees and operates independently, not under the control of another entity.

As of 2018, the SBA acknowledged that there were 30.2 million small businesses in the U.S., 22 million of which were individually operated with no employees other than the owner. At 49.2%, nearly half of the nation's workforce is employed by a small business, representing roughly 120 million employees.

The SBA reports that small businesses have historically accounted for 60-65% of net new jobs nationwide every year, amounting to approximately 2 million jobs per year. Data compiled by the

Census Bureau for 2014 identify that roughly 50% of all net jobs created nationwide were by small business employers. With over 30 million newly unemployed Americans since the outbreak, small businesses are expected to eventually hire many of the recently unemployed.



The Paycheck Protection Program is extremely critical for small businesses because of the financial burden derived by the mandatory closures. Of the various industries affected, restaurants have been one of the hardest hit nationwide, as business owners have had to lay off employees and succumb to selling take out only menus in order to survive to pay rent and utilities. The SBA's data shows that about 60% of all small businesses either are operating at a loss or merely breaking even. (Sources: Labor Department, BLS, SBA)

About Us

Our clients enjoy the feeling of having their financial lives kept in order. Freedom from worry comes from working with an experienced advisor that understands your entire financial life and is accessible and attentive to your needs. As a fiduciary, Mike is unable to receive commissions from financial products and free to make recommendations that are unbiased by Wall Street. With over a decade of experience caring for a small family of clients, our specialties are preserving wealth and generating sustainable income. Our average client net worth ranges from \$3 to \$12 Million. Go outside, we've got this.

MFA Events Calendar - wishfull thinking!

Weekly Live 'Radio' Show Thurs 2pm	OK, well... Currently this is being done on Facebook Live since ad revenue on the radio ads got skinny.
Brew Run Sponsor	June 10th at Bozeman Brewing – cross your fingers! 6pm start
8th Annual Bozeman CPA Symposium, Tuesday May 19th	Bummer to have to cancel this one. Did you know your CPA must obtain 80 hours of CPE every two years?!
406-522-3201 or schedule online at calendly.com/mccormickfinancialadvisors	