

After a dramatic turn of events at the start of the year, as most of the world shut down economically to slow the spread of the coronavirus, the markets sold off 35% in one quarter. Governments around the world responded and attempted to ease the impact of the shutdown with liquidity injections and stimulus packages. By April, we thought there was a good chance the bottom for the markets had been reached, and by May we were optimistic that the markets' recovery would continue. It became increasingly obvious that the Fiscal and Monetary stimulus bought time for an economic recovery set to accelerate later this year. The markets responded with one of their strongest quarters in history.

As we head into the second half of the year, we believe that uncertain times call for trust in verifiable facts. There are reliable reasons to be positive and optimistic. Earlier in the year there was an economic recession and an unprecedented global health crisis. Fast forward three months and the global economy is once again expanding, with financial asset prices coming off one of their strongest quarters in history. While health experts are quick to caution that the coronavirus remains a serious threat, high-frequency data and our own eyes and experience tell us that commerce is returning as virus fears abate and safety precautions are successful. Furthermore, technological breakthroughs in science and medicine will continue to transform the way we live. The Digital Revolution has made it possible for incredible collaboration and achievements. The world has seen this collaborative forward momentum in everything from medicine to government. We have seen that it is possible and effective for people to work remotely, and the explosion in ecommerce is phenomenal. The acceleration of innovation and technology will continue to revolutionize how we think.

Outlook

The fear surrounding the pandemic is indeed logical, as both health and wealth are at risk. We do not want to imply that we should not continue to take the coronavirus as seriously as it requires to be taken. However, we do not want to allow fear to make us irrational or hasty in our decisions about our investments. If we look out twelve to eighteen months, there is a high probability that the business outlook will be much better. The global pandemic has had a significant impact on world economies, and this may continue for a time. Despite this impact, the market, as measured by the S&P 500 Index, has come a long way in a very short period. EPS growth estimates in 2020 are being lowered but estimates for 2021 are being raised. Even if the U.S. economy re-opens and economic numbers do not live up to expectations, policymakers are likely to respond with even more stimulus. This stimulus has been and hopefully will continue to be positive for the stock market.

We expect the short-term path of the markets to be bumpy but encourage you to hang on tight and keep driving cautiously while looking optimistically forward. Despite all the valid worries and concerns, our outlook at Strategy Asset Managers continues to be positive and hopeful. We are looking forward and are bullish and expectant for further gains and a bright future as the U.S. economy re-opens and consumers begin to spend freely once again.