Yanni & Associates
Investment Advisors, LLC

SECOND QUARTER – 2020 CLIENT NEWSLETTER
REVIEW OF THE MARKETS:

Index:	2Q20	2020
S&P 500	20.54%	-3.08%
S&P Mid-Cap	24.07%	-12.78%
S&P Small Cap	21.94%	-17.85%
Morgan Stanley's EAFE (International Stocks)	14.88%	-11.34%
Barclay's US Aggregate (Bonds)	2.90%	6.14%

Covid-19 Quick Facts:

Coronavirus is the term for a very diverse family of viruses that in shape, have spiky projections on their surface that look like crowns. Corona means "crown" in Latin. Both COVID-19 and SARS are caused by coronaviruses. Most coronaviruses cause mild respiratory illnesses. A new type of coronavirus can emerge when animal coronavirus develops the ability to transmit to humans (called zoonotic transmission).

COVID-19 is the actual disease. "CO" stands for "corona", "VI for "virus", "D" for disease and 19 indicates the year it was discovered.

SARS-CoV-2 is the actual virus. This shortened term stands for "severe respiratory syndrome coronavirus 2".

ECONOMY & MARKETS:

In a quick and pleasantly surprising turn of events, the stock market substantially rebounded this past quarter. Virtually all segments for stocks and bonds recovered sharply, but in somewhat disjointed fashion. Large capitalization growth stocks (generally, high technology names) have significantly propelled themselves well above all other segments. They clearly are the main reason the S&P 500 is now only marginally negative year-to-date and only off about 6-7% from its February 19th all-time high. Consistent to our First Quarter Newsletter, it is apparent that certain industries have been affected much differently than others. As such, over the past several months, we have incorporated several portfolio adjustments realigning accounts more closely with areas projected to perform well. In addition, we have been actively realizing losses in client accounts. Similar to our efforts in 2018 when the stock market turned negative in the last quarter, realizing losses provide clients an opportunity to potentially offset their taxes at year-end. In years where the stock market produces negative returns, we believe actively realizing losses is an important strategy that should not be overlooked.

From an economic perspective, the final estimate of 1Q20 GDP came in at -5.0% with a worse decline projected for the second quarter. The June monthly unemployment report came in at 11.1% below consensus estimates of 12.4%. However, that data was gathered in mid-June before many virus resurgences took place and suspension of States' economic rollbacks. We imagine unemployment will to remain high for several months, partially due to the extra benefits received as a part of the CARES Act (less incentive to work) and also due to most companies are not rehiring immediately. One undiscussed topic is how the individual States will be affected in the long-run. Most of them went into some type of hybrid economic shutdown. Even as the States loosened up their restrictions tremendously, many businesses still have not replaced staff and others are not operating as profitable as before. The aggregated tax loss from the spike in unemployment claims, reductions in the workforce, various bailouts, and other negative effects will likely destroy many States' balanced budgets without signs of an immediate recovery. While we are pleased the stock market has recovered substantially off its bottom; we are still hoping to see a more clear picture on these and other items before we consider many risks to be in the past.

According to Factset, the projected forward price-to-earnings ratio (P/E) for the S&P 500 is currently at 22. Historically, the five-year average P/E for the S&P 500 is 16.9 times forward earnings. It appears that until a vaccine is discovered, it's tremendously difficult to predict corporate earning's growth.

The Federal Reserve (The Fed) has indicated it plans to maintain its zero interest stance for the remainder of this year. While we have witnessed The Fed's projections change drastically over the last few years, it does appear that we will remain in a low interest rate environment for the foreseeable future. In addition to a variety of non-traditional mechanisms used by The Fed (some outlined in the First Quarter Newsletter), it now has indicated it will start buying individual corporate bonds, if necessary.

As we head closer to the Fall and still without a vaccine, it is still unclear how many schools are planning to operate. Locally, some high schools have sent surveys, some colleges are planning to limit the number of roommates, others are cancelling fall breaks. Hopefully, the students will be able to return to some semblance of normal life in the Fall.

Investment and Current Events Questionnaire

As we did last year, we once again decided to include a small investment and current event questionnaire for people to test their general financial and news knowledge (answer key on page three):

1) Passed in December, 2019, the SECURE Act incorporated many new tax law changes that benefit people. One of these new laws changed the required minimum distribution for retirement accounts to what age?
   A. 72 B. 70 ½
   C. 65 D. 75

2) In order to pay for the benefits to the SECURE Act, some ancillary taxes increased. One of them pertains to non-spouse beneficiaries inheriting retirement accounts. The SECURE Act now requires non-spousal inherited IRAs to be fully withdrawn in how many years?
   A. 10 B. over the deceased's lifetime
   C. 20 D. over the beneficiary's lifetime

3) Passed in March, 2020, the CARES Act aided the economic slowdown caused by the coronavirus. This Act suspended Required Minimum Distributions (RMD) for both Traditional & Inherited IRAs for 2020.
   A. True B. False

4) The CARES Act also provided additional unemployment benefits to those whose jobs were adversely affected by the coronavirus. Which of the following are true (more than one)?
   A. \$600 extra is per week through July 31st B. benefits are extended an extra 13 weeks
   B. \$600 extra is per week through December 31st D. benefits are extended an extra 26 weeks

5. In March, we experienced the fastest Bear Market in history. By definition, what percentage does the stock market need to fall to be considered a Bear Market?
   A. 10% B. 15%
   C. 20% D. 25%

6. As of Friday, July 10th, which State had the highest number of reported coronavirus cases?
   A. California C. New York
   B. New Jersey D. Florida

7. To help prevent the spread of the coronavirus, all states now require individuals to wear masks inside public venues.
   A. True B. False

8. Vaccines commonly have this number of Phase Trials?
   A. One C. Three
   B. Two D. Four

9. As of Friday, July 10th how many people have tested positive for the coronavirus in the United States?
   A. 1 million C. 3 million
   B. 2 million D. 4 million

10. Circle the items where you believe your Financial Advisor could add value during a global pandemic/bear market.
   A. Pro-active phone calls with clients B. Portfolio rebalancing to incorporate new trends
   C. Pro-active tax-loss selling for tax purposes D. Portfolio rebalancing to generate more commissions

Answer Key:

1. **A**
2. **A**
3. **A**
4. **A & B**
5. **C**
6. **C**
7. **B**
8. **C**
9. **C**
10. **A, B, & C**