

August 2020

Here are selected year to date return numbers through the end of July.

Stock Indexes

	(As of 07/31/20)*
Dow Jones Industrials	-7.40%
S&P 500 Index	+1.20%
NASDAQ Composite	+19.80%

	(As of 07/31/20)*
Russell 1000 Growth Index	+18.26%
Russell 1000 Value Index	-12.95%

	(As of 07/31/20)*
Russell 2000 Index	-10.57%
Russell 2000 Growth Index	+0.27%
Russell 2000 Value Index	-21.92%

Bond Index

	(As of 07/31/20)*
Barclays Cap. Aggregate Bond Composite Index	+6.52%

(Source: The Wall Street Journal & Russell Investments websites)

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

FINANCIAL AND INVESTMENT PLANNING

July was a good month for global stocks and U.S. bonds.

	July 2020	2020 Year to Date
S&P 500 Index price	5.51%	1.25%
MSCI World ex-U.S. price	2.55%	-10.50%
BBG Barclay U.S. Aggregate Bond Index	1.49%	7.72%

Source: Raymond James

As I look at these numbers two things stand out: the very strong performance of U.S. bonds and the very weak performance of foreign stocks. More on foreign stocks later.

I have been looking a bit deeper into the sources of positive returns for U.S. stocks, and one consistent theme is the significant outperformance of growth stocks versus value stocks, and the relatively narrow leadership of the S&P 500.

United States Equity Returns	1/1-2/19	2/20-3/23	3/24-6/30	YTD
S&P 500	5.1%	-33.8%	39.3%	-3.1%
NYSE FANG+ Index	25.6%	-30.9%	52.4%	32.3%
Russell 1000 Value	1.2%	-38.2%	33.8%	-16.3%
Russell 1000 Growth	9.3%	-31.5%	46.6%	9.8%
Russell 2000	1.6%	-40.7%	44.4%	-13.0%

Past performance does not guarantee future results.

Source: FactSet, Bloomberg as of 6/30/2020

NYSE FANG+ Index constituent members: TSLA, AAPL, AMZN, BIDU, GOOGL, BABA, FB, NVDA, TWTR, NFLX.

You might wonder what the heck is the NYSE FANG+ Index? The NYSE FANG+ Index is designed to represent a segment of technology and consumer discretionary sectors consisting of highly-traded growth stocks of technology and tech-enabled companies such as Facebook, Apple, Amazon, Netflix and Alphabet's Google.

Note that growth stocks declined less than value stocks from February 20th through March 23rd and then rose more from March 24th through June 30th. This phenomenon of growth outperformance is also a global phenomenon.

Global Equity	1/1-2/19	2/20-3/23	3/24-6/30	YTD
MSCI World Index Growth	7.1%	-31.1%	44.3%	6.5%
MSCI World Index Value	-0.6%	-37.1%	31.6%	-17.8%

Past performance does not guarantee future results.

Source: FactSet, Bloomberg as of 6/30/2020

And this is not just a recent phenomenon.

1/2017-6/2020

	Return	Up Capture (vs MSCI World)	Down Capture (vs MSCI World)
MSCI World Value	1.3%	80%	115%
MSCI World Growth	16.4%	119%	86%

Past performance does not guarantee future results.
Source: Morningstar as of 6/30/2020.

Another way to think about what is occurring is to observe what is called narrowing breadth, which means the number of winners in domestic and global indices. This also has been a multi-year phenomenon.

NARROWING BREADTH, CONCENTRATED INDICES

MSCI World: % of Stocks Outperforming Index

2015	50%
2016	46%
2017	46%
2018	42%
2019	41%
2020	37%

Past performance does not guarantee future results.
Source: FactSet as of 6/30/20

Another interesting phenomenon is that global equity investors seem to be rewarding countries and regions who have a better track record than the U.S. in handling the COVID 19 pandemic.

Cumulative Index Performance from 5/22/20

S&P 500	9.4%
MSCI EAFE	13.2%
MSCI Europe	15.4%

Source: Bloomberg as of 7/2020

Finally, you may have read about the unprecedented Federal Reserve purchases of bond Exchange Traded Funds. I recently came across the following information. The key column is the one titled – Net Flows Accounted for by the Fed. This means when you take all the purchases of the ETF’s and subtract all the sales, you get the net amount of money that went into the funds and the percentage of that amount represented by Fed Reserve Bank purchases.

Federal Reserve Bond ETF Purchases Between 5/12/20 & 6/16/20

Fund Name	Market Value as of 6/18/20 (US \$M)	Net Flows Accounted for by Fed	Fed Purchases as % of Total AUM
SPDR Portfolio Inter Term Corp Bond ETF	404.70	60.3%	6.5%
Vanguard Short-Term Corp Bond ETF	1,307.90	51.3%	4.6%
SPDR Portfolio Short Term Corp Bond ETF	237.30	50.9%	3.6%
iShares Short-Term Corp Bond ETF	607.80	48.8%	3.4%
iShares Broad US Dollar Invst Grade Corp Bond ETF	150.40	46.8%	3.2%

Source: Federal Reserve, ETF.com as of 6/30/20

Thank you for taking the time to ready the newsletter and for listening in to Money Talk.

Warm regards,



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- **Past performance is not indicative of future results.**
- The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
- The S&P 500 is an unmanaged index of 500 widely held stocks that’s generally considered representative of the U.S. stock market.
- The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.

- The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
- The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities
- The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.
- The Barclays Capital U.S. Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
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