STEVE ROBBINS, CFP®
WEALTH MANAGEMENT FOR A FLOURISHING RETIREMENT

Summer Market Update

Thoughts on investing amid the current market situation

Every year around this time, parents, grandparents, and guardians prepare for Back to School season. This year is no different – except *how* they prepare may be very different indeed. Due to the pandemic, parents now have some difficult choices to make. Do they send their children back to school? Do they choose online learning? Should they homeschool for a year? It's a difficult question with no easy answer because there are so many factors to consider. How many cases are in the area? What options does the school actually provide? What is the child's health like? What about the health of other family members? How do parents balance their child's education, social needs, and health with their other responsibilities?

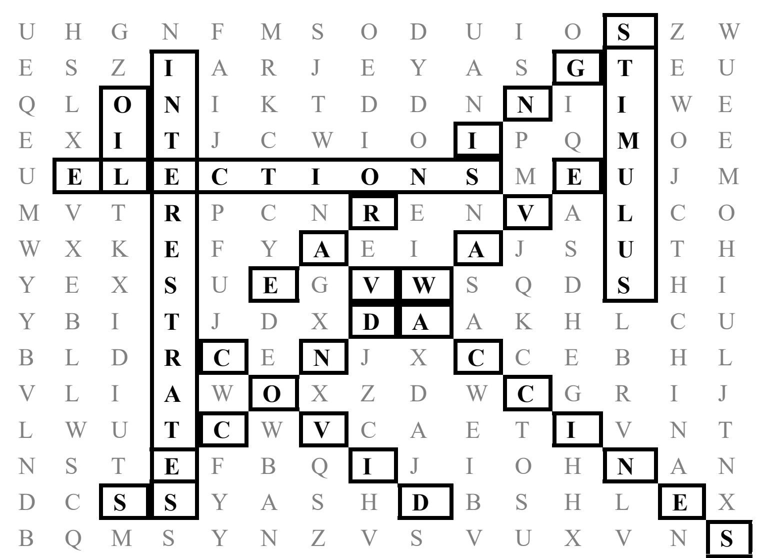
Since the headline at the top of this letter says, "Summer Market Update," you're probably wondering why I'm talking about going back to school. The reason is simple. As you know, COVID-19 has completely upended our daily lives. It has disrupted almost everything we used to think was "normal." And the problem is, there's no playbook for how to adapt! No cheat sheet that contains all the answers. That's certainly true for parents.

It's also true for investors.

I've been thinking about this a lot as I've studied the markets over the past few months. There's simply no cheat sheet – or even a roadmap – for how to invest in a period like this. Think about it. Even during "normal" times, it's hard enough for *institutions* to know what to do. But asking an investor who's simply trying to save for retirement to navigate the markets during a recession *and* a health crisis? Talk about dealing with uncertainty – the one thing investors hate most!

Just as parents have multiple options to consider, so do investors. Be aggressive? Be conservative? Stay the course? Get out of the markets altogether? And again, there are so many factors and variables to consider – or at least, that's what media pundits would have you believe. So many, in fact, that trying to parse what matters and what doesn't can feel like the world's worst word search.

For instance, check out this jumble:



Those words are *earnings, interest rates, COVID, second wave, vaccines, stimulus, China, oil, and elections* if you don't want to bother searching – and who could blame you? If you believe the talking heads in the media, each of those words could signal either a glorious market recovery or a gloomy market pullback. As a result, interpreting the markets can feel like looking at a blurry photograph and trying to guess what it shows. That just leads to less clarity and more confusion. Is the economy recovering, or is it still in decline? Are the markets on solid ground, or the edge of a cliff?

The proof of all this can be found in how the markets have behaved over the past two months. March's bear market led to a sharp recovery, but since the beginning of June, the markets have been largely flat. For example, on June 8th, the S&P 500 closed at 3,232. On July 30, it closed at 3,246.[1] There have been plenty of little bumps and shallow dips since then, but overall? Flat. And that's with many investors staying out of the stock market altogether, with "nearly $5 trillion parked in money markets" as CNBC reported back in June.[2]

In school, we learned that *for every action, there is an equal and opposite reaction.* That's Newton's Third Law of Motion, and when he wrote it, he was talking about physics. But lately, it can also describe the physics of the markets. For example, here's a short list of what's been driving the markets lately:

Event	**Market Action/Reaction**
Good news about vaccine development!	↑
But a rising number of COVID cases…	↓
Unemployment claims fall!	↑
But unemployment is still high…	↓
Consumer spending is up!	↑
But the stimulus that drove it is all used up	↓
Federal Reserve keeps interest rates near zero!	↑
Congress can't agree on more stimulus	↓

You get the idea. For every bit of good news, there's news that's equally troubling. For every action, there is a reaction.

In short, there is still a *lot* of uncertainty out there about what type of economic recovery we're actually experiencing, and where the markets will go next. When you talk to investors and analysts, there's a sense that most of them are just waiting for a sign. For a development. For *something* that's infallible, incontrovertible, unmistakable. Something that helps them feel *certain* about what to do. Essentially, investors are tired of trying to read tea leaves and want road signs.

But even during normal times – there's that word "normal" again – the road to growth is rarely straight. There is, and will continue to be, major uncertainty in the months ahead. We don't *know* what the coronavirus will do. We don't *know* when a vaccine will be available. We don't *know* whether the economy is recovering or stalling. We don't *know* who the next U.S. president will be. We can have educated expectations, but we don't *know*.

So, what do we do?

I have good news: We don't *need* to know all those things.

You see, those who invest based on COVID vaccine rumors, economic forecasts, or even company earnings projections, are investing based on *storylines*. But my team and I try to be more like Sir Isaac Newton by observing *laws* – specifically, the law of supply and demand. Amid a sea of economic uncertainty, supply and demand is the only reliable dry land.

Again, nobody knows exactly when a vaccine will be ready, or what the coronavirus will do, or when Congress will pass more stimulus. What we *do* know is that when supply outpaces demand, and sellers dominate the market, it's time to play defense. When the opposite is true, we play offense. We believe this strategy reduces risk, and increases the chances of side-stepping the worst market downturns, which are the number one detriment to saving for retirement*.

When it comes to investing during this climate, we also must remember that, just as there's no cheat sheet, there's also no one right answer. Just as parents must make the best decision for *their* situation, the same is true for us. When it comes to our investment strategy, making sense of the word search above is simply not as important as asking ourselves: How much risk can we afford to take on? What kind of return do your personal goals require? How close are you to retirement? Do we prioritize growing your money, or preserving it? We'll continue to let your answers dictate the decisions we make, not how many COVID cases there are or when a vaccine will come. That way, even when the market is flat, we'll work to keep moving forward – secure in the knowledge that we're doing what's best for *you.*

In the meantime, the markets will continue to act and react. There will be good weeks and bad days. That's why, when it comes to interpreting the markets, we don't have to worry about predicting the future, or solving metaphorical word searches to figure out what matters. We just need to continue following the rules we've put in place for managing our clients' hard-earned savings: Investing in asset classes that lead the way when markets trend above a certain point; and getting defensive when they trend below a certain point.

As always, please let my team and I know if you have any questions or concerns. Have a great rest of your summer!

-STEVE ROBBINS, CFP®

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*No investment strategy, including asset allocation and diversification can guarantee a profit or protect against loss in periods of declining values.

Sources

[1] "S&P 500 historical prices," *The Wall Street Journal,* https://www.wsj.com/market-data/quotes/index/SPX/historical-prices
[2] "There's nearly $5 trillion parked in money markets as many investors are still afraid of stocks," *CNBC,* https://www.cnbc.com/2020/06/22/theres-nearly-5-trillion-parked-in-money-markets-as-many-investors-are-still-afraid-of-stocks.html