



Markets At A Glance

Period	S&P 500	DJIA	INT'L (EAFE)	Emerging Markets	Barclays Intermediate Govt/Credit	Barclays 1-15 Yr Muni	INFLATION (CPI)
2nd Quarter	20.5%	18.5%	14.9%	18.1%	2.8%	2.7%	-1.3%
12 Months	7.5%	-0.5%	-5.1%	-3.4%	7.1%	4.2%	0.1%

Markets rebounded sharply from the lows in late March. U.S. stocks continue to outperform international indexes. Bond markets stabilized and interest rates remained in a range during the quarter. Spreads on corporate and municipal bonds tightened, resulting in market value improvements.

The U.S. economy appears to have bottomed in April. Economic reopening combined with massive fiscal and monetary stimulus have limited the economic damage and helped drive a quick rebound in a number of economic measures. The aggressive policy response has also helped support consumer confidence. Now that this initial upswing is in place, further gains are going to be more difficult. Full recovery to 2019 levels is unlikely until a vaccine is widely available.

While some sectors will continue to be heavily impacted, much of the economy will be able to adapt and cope with the ongoing pandemic. A wild card is developments related to a vaccine. News of an effective vaccine should improve business and consumer confidence before actual production and widespread distribution.

Current expectations are for interest rates to remain very low for an extended period. While the objective is to reduce costs for borrowers, there is a negative impact on savers and fixed income investors. Bonds continue to play an important stabilizing role in portfolios, but are expected to provide lower returns than in the past.

Equity markets appear to be pricing in an optimistic, possibly best case, scenario. Significant risks to the downside remain. Rising social and political tensions in the U.S. and further deterioration in relations between the U.S. and China could have a negative impact on the recovery as well as investor confidence. The upcoming election season is already contributing to the elevated level of uncertainty as markets anticipate the potential for significant changes to tax and regulatory policies.