AMJ Financial Wealth Management
Weekly Market Commentary
May 26, 2020

The Markets

It was a good week for stock markets in the United States, but there was trouble in Asia.

U.S. stock markets rallied last week. The Dow Jones Industrial Average, Standard & Poor's 500 Index, and Nasdaq Composite all gained more than 3 percent, reported Ben Levisohn of *Barron's*.

Investors had plenty of fuel for optimism early in the week. On Sunday, Federal Reserve Chair Jerome Powell struck a positive tone during his *60 Minutes* interview stating, "The big thing we have to avoid…is a second wave of the virus. But if we do, then the economy can continue to recover. We'll see GDP move back up after the very low numbers of this quarter. We'll see unemployment come down. But I think though it'll be a while before we really feel well recovered."

On Monday, there was news early testing of a potential vaccine had delivered promising results, and the vaccine company's stock shot higher. The report was tarnished when top executives sold shares the next day, and a respected medical website indicated the published results meant little, reported John Authers in *Bloomberg Opinion*.

Positive momentum slowed later in the week when China indicated it will impose national security laws on Hong Kong. Reshma Kapadia of *Barron's* reported, "While the risks have ratcheted higher, it isn't clear yet whether the new security laws will destroy Hong Kong's ability to act as a financial center. What that could mean for investors will probably play out over the next couple of months."

Hong Kong's Hang Seng index closed down 5.6 percent, reported *Financial Times (FT)*. That was the index's worst one-day performance in almost five years.

China's leadership also declined to set a gross domestic product (GDP) target for the first time ever. GDP is the value of all goods and services produced in a nation. The decision led to a decline in mainland China's CSI 300 index of Shanghai and Shenzhen-listed stocks, reported *FT*.

Data as of 5/22/20	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	3.2%	-8.5%	3.5%	7.3%	6.8%	10.7%
Dow Jones Global ex-U.S.	2.3	-18.	-10.5	-3.9	-2.7	1.9
10-year Treasury Note (Yield Only)	0.7	NA	2.4	2.3	2.1	3.2
Gold (per ounce)	-0.1	13.8	36.1	11.3	7.6	3.9
Bloomberg Commodity Index	1.8	-22.4	-20.5	-9.7	-9.4	-6.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HOW IMPORTANT ARE SMALL BUSINESSES? In April, the *Federal Reserve Bank of New York (FRBNY)* surveyed U.S. small businesses. It reported, late in 2019, before the coronavirus crisis, 35 percent were healthy, 35 percent were stable, 23 percent were at risk, and 6 percent were in distress.

Having a preponderance of healthy and stable small companies is a positive economic sign because, as Lisa Beilfuss of *Barron's* explained, small companies:

- Employ about 50 percent of American workers
- Produce about 50 percent of U.S. GDP
- Generate 40 percent of total business revenue

Simply put, small businesses are an essential part of the American economy.

The *FRBNY* survey also noted few small businesses had deep cash reserves. In fact, it estimated just one in five healthy small companies could survive a two-month revenue loss. In such circumstances, "A majority of small businesses would be likely to reduce their workforce and operations, or delay payments. Many firms would rely on personal funds or debt to bridge the gap."

As you might imagine (and may have experienced), the coronavirus crisis has exacted a heavy toll on small businesses. Forty-three percent were temporarily closed by April 2020, according to a survey conducted by the *National Bureau of Economic Research (NBER)*. Others had modified operations to meet social distancing and other COVID-19 safety guidelines.

In an effort to help small businesses, Congress, the President, and the Small Business Administration have passed fiscal stimulus measures. The Federal Reserve is providing monetary stimulus. Despite these efforts, the future of small companies remains uncertain.

Byrne Hobart of *The Diff*, a newsletter that tracks inflection points in finance and technology, believes diverse outcomes are possible:

> "The pessimistic one is front-end corporatization: small businesses just evaporate, their real estate is taken over by big companies, and (some of) their employees find new jobs at these companies…Here's the good one. Those same local businesses are running down their cash reserves, but lenders are banging down the door with a crazy offer: borrow enough to meet payroll now, pay nothing – until business starts coming back…[Lenders get] more involved in the borrower's business – get them good bookkeeping software and a modern point-of-sale system. Band together a bunch of borrowers and start negotiating with suppliers and landlords. In short, use software economics to give small businesses the same economies of scale that large ones already benefit from."

It's possible we could see both situations occur.

Weekly Focus – Think About It

"Now the commencement speakers will typically also wish you good luck and extend good wishes to you. I will not do that, and I'll tell you why. From time to time in the years to come, I hope you will be treated unfairly, so that you will come to know the value of justice…I wish you bad luck, again, from time to time so that you will be conscious of the role of chance in life and understand that your success is not completely deserved and that the failure of others is not completely deserved either…Whether I wish these things or not, they're going to happen. And whether you benefit from them or not will depend upon your ability to see the message in your misfortunes."

--John Roberts, U.S. Supreme Court Chief Justice

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
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* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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