July 2020

PRATT WEALTH MANAGEMENT

A Speedy Surprise

It is official: the National Bureau of Economic Research determined that the US economy entered a recession in February. Having this determination come so quickly is extraordinary—normally it takes almost a year after it begins for the start of a recession to be officially determined. Though as economic activity ramps back up, we may end up experiencing a recession that is both the deepest and shortest since World War II.

The second quarter brought a surprising rebound in stocks as equity markets around the world rose despite worsening economic fundamentals. As the initial sense of shock and fear in February/March passed, investors began looking forward to the eventual return to "normal." The story was the same across the globe, with stocks enjoying a surprisingly strong rebound in many sectors.

Fixed income investments have also had an eventful few months. US Government bonds surged earlier in the year as rates dropped and a temporary liquidity scare took a toll on other bond categories. Support from the Federal Reserve helped to quickly stabilize the markets and we've seen steady recoveries in the months since. The return to extremely low interest rates will be a boon to borrowers and real estate buyers, but will create challenges for savers and investors seeking a safe return.

Despite the recent "rosy" outlook in stocks, real risks remain. There is growing potential for a larger second wave of Covid-19 and a return to shelter-in-place orders. The US, in particular, may be especially susceptible as the number of cases has begun increasing dramatically, in sharp contrast to the declines experienced in most other developed countries. Worsening trade relations between China and the US could cause more volatility and the rising social unrest in the US may have an effect as well.

There is no precedent in history for the dramatic market movement we've experienced this year. The uncharacteristically large differences in the performance of the major market indexes (shown to the right) further illustrate this. Likewise, there were zero pundits/experts that predicted a pandemic driven market decline resulting in a 34% drop in just 23 calendar days, immediately followed by the best 50 days in the history of the market. While we need to remain cognizant of the broader economic environment, the most important thing for ensuring long-term success is to have a plan in place and follow it. Investing timeframes are typically measured in decades, not days, and history has demonstrated time and time again the resilience of capital markets and their ability to benefit patient investors.

If you have any questions or concerns, or would like to discuss your accounts or financial plans, please do not hesitate to contact us.

The Pratt Wealth Management Team

Market Update

A quick glimpse at the market for the second quarter and year of 2020:

	Q2	YTD
DOW	+18.51%	-8.43%
NASDAQ	+30.95%	+12.67%
S&P 500	+20.54%	-3.08%
MSCI EAFE	+14.88%	-11.34%
Barclays Agg	+2.9%	+6.14%

Commonwealth Mailings

Commonwealth recently mailed documents to all account holders—Form CRS and IDB. These were in response to new regulations enacted by the SEC. Those documents discuss the variety of products and services that are available through Commonwealth, but do not specifically describe the products and services we provide to our clients. If you have questions about those mailings, please do not hesitate to contact us.

New Email Addresses

Our email addresses have changed! Our addresses are now @prattwm.com

Connect With Us On Social Media

@prattwealth

@prattwealthmn

Visit us at:
www.prattwealth.com

connect@prattwm.com
507.388.0770

Statements regarding stock market returns refer to the S&P 500 index and bond index returns refer to Barclays Aggregate Index.
S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.
The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market
The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East.
DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange
Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.