

# FCMI

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## Second Quarter 2020 Commentary

Well, that was historic. It was almost unimaginable coming into 2020 that a rare virus found in a distant part of the world would trigger events in all corners of the globe, in the blink of an eye. As Americans began to adjust to the effects of COVID-19, unemployment leapt to new highs, streets, stores, and skies were empty, and the longest economic expansion in decades collapsed to activity levels not seen since the Great Depression. We experienced the fastest 30% drawdown in the history of global equities.

The second quarter was a different story. The technology-heavy NASDAQ, the S&P 500 and the Dow Jones Industrial Average all posted healthy returns. Further, U.S. retail sales rose, central banks made it clear that they stand willing to use their full firepower to keep government and corporate borrowing costs low, and governments provided enormous amounts of stimulus. What followed was the largest 50-day advance in market history.

Although we had a strong second quarter, some risks remain. For example, the Federal Reserve and other central banks have been clear that they can only lend, not spend, and therefore won't necessarily be able to save companies that face solvency concerns, rather than just liquidity concerns. In addition, the virus has not been fully contained, nor a vaccine approved (in the U.S., the number of new infections is rising again).

Another risk comes in the form of fiscal fatigue from governments, which could potentially roll back their fiscal stimulus before the virus has been fully contained and the economy recovers. In the U.S., incomes have been supported by stimulus checks and generous unemployment benefits, which are due to expire at the end of July. If these benefits are not extended, many unemployed Americans could experience a significant reduction in their incomes in the second half of the year.

Political risks also remain. Tensions between China and the rest of the world are escalating, Brexit remains unresolved and the fast approaching 2020 election all create a recipe for continued volatility in the second half of the year.

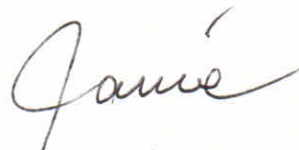
Our read of the current landscape is a path of recovery that moves forward in fits and starts, reflecting the reality of uncertainty that typically occurs after shocks. While a quick bounce back to pre-pandemic levels is ideal, a full return will likely not be realized until a vaccine is found and manufactured at scale to create immunity, commercial activity is fully rebooted and jobs are recovered.

Keep yourself healthy, be safe and be patient—capital well committed offers the best chance for success.

We appreciate your business and look forward to meeting again soon to discuss your investments.



Grant E. Buce



James Walter