



July 2020 Market Commentary

Be on the lookout for further communications from us in the next few weeks regarding the SEC's Form CRS (Client Relationship Summary). Form CRS is a new regulatory requirement designed to help inform clients of the services provided by companies like Toth Financial. More to follow on this topic but we wanted to give you a heads up of forthcoming literature in our quarterly commentary.

As we open the second half of 2020, we look back at the myriad of major headlining events that have occurred in the first 6 months of the year. When looking back at what has transpired it really should not be a surprise that the equity markets entered their first bear market in 11 years. The amount of uncertainty reached a fever pitch and the selling pressure simply became too much.

Despite the major and swift selling pressures, the markets rebounded tremendously well given the circumstances. In our April commentary, we said the sell-off in equity markets was "likely over exaggerated". Once we gained more knowledge about COVID-19, we shifted our focus to the economic reports in Q2 and those that lie ahead in the second half of the year: GDP estimates, employment figures, retail sales, home sales, consumer confidence, investor sentiment, etc. Our sense is that the estimates for economic growth and corporate earnings would tend to be more negative than necessary and that has happened the past several months. As Warren Buffett has said: "Never, ever bet against America."

There are a few major contributors to the market's rebound; The Federal government stepping in with massive stimulus; to include Congress passing stimulus packages and the Treasury and Federal Reserve working together to offer any support necessary. Businesses helped propel markets higher by changing their practices in order to continue to meet consumers' needs despite the imposed restrictions. Also, news of major economies around the globe beginning to open back up also continued to benefit the equity markets rise.

One thing that we must keep in mind is that our investors do not buy shares of GDP, rather we at Toth Financial invest into strong, multi-national companies that have global brand recognition, are dynamic and can adjust to the economic conditions, and in most cases use their strengths to take advantage of uncertain times. Historically the market's best annualized returns come during some of the most uncertain times with poor economic data. Economic reports are almost always the equivalent of looking in the rearview mirror. In our minds, when the market gets so oversold this badly, informed investors start to ignore the rearview mirror and place confidence in what lies ahead.

Volatility is likely to continue through the second half of this year. As stated in our last commentary, if you are feeling uncertain about the economy or the market, please call us. Our investment philosophy will continue to be focused on investing into financially sound, multi-national companies who are well capitalized and positioned to shine in uncertain times. We look forward to a healthier world after COVID-19 runs its course and we return to a growing economy.

Tom