August 2020

# THE EDUCATED INVESTOR

A GUIDE TO RETIREMENT PLANNING

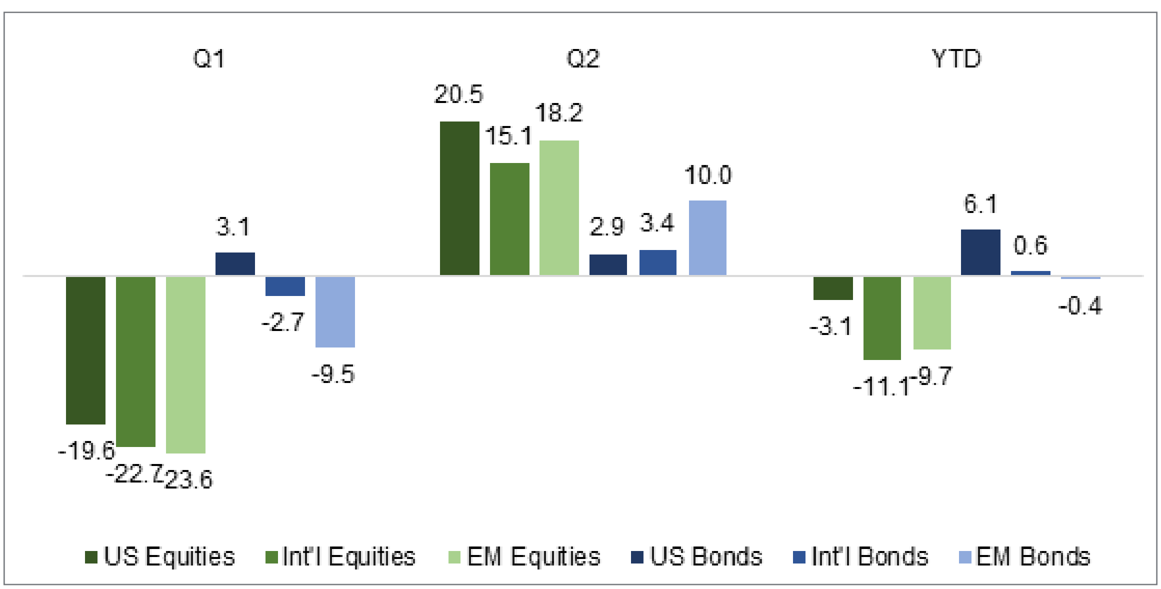


## 2020 Quarter 2 Market Review

**In the same way equity markets tumbled quickly in the first quarter, we saw a rapid rebound.** US equity markets rallied strongly with a return of 20.5% for the quarter. Despite being the best quarter since 1998 and one of the top 10 quarters in history, year-to-date returns were still in negative territory at -3.1%.[1]

**Concentration was the name of the game.** Performance of the US equity markets has been concentrated in a few stocks over the past few years – Facebook, Amazon, Netflix, Apple, Microsoft, Alphabet (Google). The performance of these six stocks contributed 5.4% to the S&P 500 return while the remaining 494 stocks contributed -8.4% to the S&P 500 return year to date.[2]

**A trio of sectors saw returns over 30% for the quarter.** Consumer discretionary was the leader of the pack at 32.5% as consumer spending picked up in the second quarter followed by energy and technology, both seeing returns of 30.5% for the quarter. Year-to-date only two sectors saw positive returns – technology and consumer discretionary – while energy was the worst performing sector, down 35.3% year to date due to the -50.5% return seen in the first quarter.[3]




Source: Morningstar

Householder Group
Estate & Retirement Specialists


**Smaller cap stocks turned the tables while value and dividend equities still trailed.** After many quarters, smaller caps saw the first quarter of outperformance relative to the larger caps and growth as higher beta stocks rallied. Mid- and small-caps outperformed by 3.5% and 1.4% respectively for the quarter. Large-cap value trailed large-cap growth by 13.1% over the quarter and by 23.5% for the year to date. Similarly, dividend equities with their large exposure to financials, utilities and energy trailed the broad market by around 10% for the quarter and by 18% year to date.[4]

**Global equities saw their best quarter since 1999 with only one country seeing a negative return for the quarter.** Emerging markets fared better than developed markets, benefiting from the rebound in commodity prices but both still trailed the US markets for the quarter and year to date. Only one emerging market country, China, saw a positive return year-to-date at 3.6%.[5]

**Unlike the equity markets, the US bond market trailed international and emerging market bonds for the quarter.** Rebounding strongly, the emerging markets were the strongest region with a return of 10.0% and the developed markets saw a return of 3.4% benefiting from dollar weakness as a result of the unprecedented monetary and fiscal stimulus.[6]

**US bond markets also saw positive returns across the board.** Like equities, sectors that saw the biggest drops in the first quarter rebounded strongly to lead the pack in the second quarter. However, the broad bond index saw a return similar to the first quarter as the weakness seen in Treasuries countered the strength seen in the credit markets.[7]

**In the US markets credit saw the strongest returns with high-yield at 10.2% and investment grade at 9.0%.** While investment-grade credit returns were lifted into positive territory year-to-date at 5.0%, high-yield were still negative at -3.8%.[8]

**REITS and commodities also saw rebounds in the quarter, 13.2% and 5.1% respectively, but they were not as strong as the higher-beta asset classes.** The almost 100% price surge in WTI oil helped lift the energy sector while the steady gains of gold, rising in 5 of the 6 months year to date led to a 17.1% return year-to-date.[9]

Asset classes are represented by the following indexes:

| | |
|---|---|
| Emerging Markets Bonds | Bloomberg Barclays Emerging Markets USD Aggregate - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification. |
| Global Bonds | Bloomberg Barclays Global Aggregate – is an index of global investment grade debt from 24 local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets. |

| | |
|---|---|
| US Bonds | Barclays US Aggregate — measures the market of USD-denominated, investment grade, fixed-rate taxable bond market of SEC-registered securities, including bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS sectors. US Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the US Aggregate Index on April 1, 2007. |
| International Bonds | Bloomberg Barclays Global Aggregate ex USD - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification. |
| High-Yield Bonds | Bloomberg Barclays US Corporate High Yield - measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. |
| Investment-Grade Bonds | Bloomberg Barclays US Corporate Investment Grade - is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements. |
| Long-term Treasuries | Bloomberg Barclays US Treasury Long - measures the performance of long term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have $250 million or more of outstanding face value. |
| Global Equities | MSCI ACWI – is a free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets. |
| International Equities | MSCI EAFE – is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada. |
| Emerging Markets Equities | MSCI Emerging Markets – is a free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets. |
| US Equities | S&P 500 – is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market. |
| Mid-Cap Growth | Russell Mid Cap Growth - measures the performance of the mid-cap growth segment of the US equity universe. It includes those Russell Mid Cap Index companies with higher price-to-value ratios and higher forecasted growth values. |
| Small-Cap Value | Russell 2000 Value - measures the performance of the small-cap value segment of the US equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values. |
| Gold | Bloomberg Sub Gold - is a commodity group sub-index of the Bloomberg Commodity Index composed of futures contracts on Gold. It reflects the return of underlying commodity futures price movements only and is quoted in USD. |
| Commodities | Bloomberg Commodities - is a broadly diversified benchmark that measures the futures contracts of physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The component weightings are also determined by several rules designed to insure diversified commodity exposure. |

| | |
|---|---|
| REITS | FTSE NAREIT All Equity REITs – measures the performance of publicly traded US real estate securities, such as Real Estate Investment Trusts (REITs) and Real Estate Operating Companies. |
| Global 60/40 Blend | 60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate – is a blend of global equities and global bonds indexes used as a benchmark for a balanced portfolio. |

[1]Source: Morningstar, S&P Dow Jones Indices
[2]Source: FactSet
[3]Source: Morningstar, S&P Dow Jones Indices
[4]Ibid.
[5]Source: Morningstar, S&P Dow Jones Indices
[6]Source: Morningstar, MSCI
[7]Source: Morningstar, Bloomberg Barclays Indices
[8]Ibid.
[9]Source: Morningstar, FTSE, Bloomberg Barclays Indices

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# U.S. Home Sales Rack Up Record Gain; Tight Supply, COVID-19 seen Slowing Momentum

U.S. home sales increased by the most on record in June, boosted by historically low mortgage rates, but the outlook for the housing market is being clouded by low inventory and high unemployment amid the COVID-19 pandemic.

The report from the National Association of Realtors on Wednesday, July 22nd 2020, which also showed house prices rising to an all-time high last month, confirmed a shift toward bigger homes and properties away from urban centers as companies allow employees flexibility to work from home because of the coronavirus.

The upbeat housing market news was overshadowed by a relentless surge in new COVID-19 infections, which has prompted some authorities in the hard hit South and West regions to either shut down businesses again or pause reopenings, threatening the economy's recovery from the COVID-19 slump.

"While fundamentals will support some activity, the slow recovery in the economy and labor market will limit the growth in home sales," said Nancy Vanden Houten, lead U.S. economist at Oxford Economics in New York. "The leveling off in the recovery as new Covid-19 cases surge lends a further downside risk, particularly since hard-hit regions account for the largest shares of home sales."

Existing home sales jumped 20.7% to a seasonally adjusted annual rate of 4.72 million units last month. The percentage gain was the largest since 1968 when the NAR started tracking the series. Sales plunged to a 3.91 million unit pace in May, the lowest level since October 2010.

June's increase ended three straight months of decreases, though home resales remained 18% below their pre-pandemic level. Economists polled by Reuters had forecast sales rebounding 24.5% to a rate of 4.78 million units in June. Existing home sales, which make up about 85% of U.S. home sales, fell 11.3% on a year-on-year basis in June.

The 30-year fixed mortgage rate is at an average of 2.98%, the lowest since 1971, according to data from mortgage finance agency Freddie Mac. Data last week showed homebuilding increased in June by the most in nearly four years. A separate report on Wednesday from the Mortgage Bankers Association showed applications for loans to purchase a home increased 2% last week from a week earlier.

Stocks on Wall Street were trading higher amid optimism about another round of fiscal stimulus for the economy. The PHLX housing index rose, outperforming the broader stock market. The dollar fell against a basket of currencies. U.S. Treasury prices rose.

## Space for Home Offices

Home sales rose surged in all four regions last month. Demand for housing was skewed toward single-family homes, mostly in the suburbs and smaller towns, with people seeking large spaces for home offices and schooling.

Economists believe the migration to suburbs from city centers could become permanent even if a vaccine is developed for the respiratory illness. A homebuild-

er survey last week showed strong demand for single-family homes in lower density markets, including small metro areas, rural markets and large metro suburbs.

Single-family home sales advanced 19.9% in June. While multi-family home sales shot up 29.4%, they accounted for only 9% of sales, down from the 12% that is considered the norm for the housing market.

Last month, houses for sale typically stayed on the market for 24 days, down from 26 days in May, and 27 days in June 2019. Sixty-two percent of homes sold in June were on the market for less than a month. Tight supply was causing bidding wars in competitive markets.

First-time buyers accounted for 35% of sales in June, up from 34% in May 2020 and matching the share during the same period in 2019. Individual investors or second-home buyers, who account for many cash sales, bought 9% of homes in June, down from 14% in May. "The resilience of home prices, particularly given the rise in mortgages delinquency rates and increased use of forbearance, has likely pulled many investors to the sidelines," said Mark Vitner, a senior economist at Wells Fargo Securities in Charlotte, North Carolina.

Title: U.S. home sales rack up record gain; tight supply, COVID-19 seen slowing momentum
Source: https://www.reuters.com/article/us-usa-economy-housing/u-s-existing-home-sales-post-record-increase-in-june-idUSKCN24N22B

# Fruity Chia Seed Coconut Popsicles

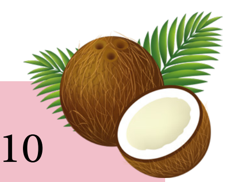
## What's in Season for August?

**Eggplant** · **Green Beans** · **Grapes**

| | | |
|---|---|---|
| Apples | Cauliflower | Papaya |
| Avocados | Celery | Pears |
| Bananas | Cherries | Potatoes |
| Beets | Corn | Raspberries |
| Bell peppers | Greens | Stone Fruit |
| Blackberries | Leeks | Strawberries |
| Blueberries | Lemons/Limes | Summer Squash |
| Bok Choy | Mango | Sweet Onions |
| Broccoli | Melons | Tomatoes |
| Carrots | Mushrooms | Zucchini |
| | Okra | |

## INGREDIENTS:

- 1 14 oz can full fat coconut milk
- 2 tablespoons | 30 ml maple syrup (more or less to taste)
- 2 tablespoons | 30 ml freshly squeezed lemon juice
- 3 tablespoons black chia seeds (you can also use white but won't get the same speckled effect)
- 2 cups berries of your choice (I used a mix of sliced strawberries, raspberries and blueberries)



**SERVINGS:** 10

**Prep Time:** 25 Minutes

## INSTRUCTIONS:

1. In a medium sized mixing bowl or jar with a pourable spout, mix together the coconut milk, maple syrup, lemon juice and chia seeds. Whisk together until completely combined.
2. Place in the fridge for about 20 minutes to give time for the chia seeds to gel up.
3. When you're ready place a few berries at the bottom of the mold. Pour the coconut milk mixture into the mold, filling about 2/3 of the way full.
4. Carefully add the rest of your berries to the popsicles mold until the molds are almost full. Add the popsicle sticks, cover and place in the freezer for at least 6 hours or until completely frozen.

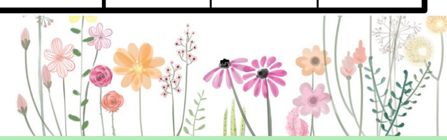
Sources: https://www.asaucykitchen.com/fruit-chia-seed-coconut-popsicles/, Produceforkids.com

# The Sudoku Section

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 8 | 3 | 1 | | | | 7 |
| | | 7 | | | 9 | | | 1 |
| | 6 | 9 | | | | | 3 | 4 |
| | | | | | | | | 8 |
| | | | 7 | 3 | 4 | | | |
| | | | | 5 | 6 | | | |
| | 3 | | | | 8 | | 6 | 5 |
| 4 | 7 | | | 9 | | | | |
| 8 | | | 4 | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 5 | 4 | 8 | 3 | 1 | 2 | 6 | 9 | 7 |
| 3 | 2 | 7 | 6 | 4 | 9 | 5 | 8 | 1 |
| 1 | 6 | 9 | 5 | 8 | 7 | 2 | 3 | 4 |
| 6 | 5 | 4 | 9 | 2 | 1 | 3 | 7 | 8 |
| 2 | 8 | 1 | 7 | 3 | 4 | 9 | 5 | 6 |
| 7 | 9 | 3 | 8 | 5 | 6 | 1 | 4 | 2 |
| 9 | 3 | 2 | 1 | 7 | 8 | 4 | 6 | 5 |
| 4 | 7 | 6 | 2 | 9 | 5 | 8 | 1 | 3 |
| 8 | 1 | 5 | 4 | 6 | 3 | 7 | 2 | 9 |

*The answers*



## August Special Days & Holidays

(Family Fun Month)

**1st-** Taxpayer Appreciation Day

**2nd-** Sister's Day

**2nd-8th-** Exercise With Your Child

**4th-** Coast Guard Day &

Chocolate Chip Cookie Day

**8th-** International Cat Day

**12th-** Baseball Fans Day

**14th-** Financial Awareness Day

**17th-** Nonprofit Day

**20th-** Lemonade Day

**21st-** Senior Citizen Day

**25th-** National Park Service Day

**26th-** Dog Day

**31st-** Eat Outside Day

Source: www.printmysudoku.com