

## Foresight Market Summary

July 31, 2020

### Market Highlights:

Through July, the global equity market continues its strong rebound, now having recouped most of its losses. Stocks are generally looking ahead to an effective vaccine and the corresponding economic and earnings recovery. Though most major global equity markets are still negative YTD, U.S. Large Cap stocks (S&P 500) have remarkably turned positive and are +2.5% YTD. The majority of those gains are concentrated in a handful of mega-cap technology growth stocks, whose business models thrive during a pandemic. U.S. Small Cap stocks (Russell 2000) are now down approximately 10%. Developed International stocks (MSCI EAFE) are down 9% YTD, and Emerging Markets stocks (MSCI EM) are down 3% YTD. Within the credit market, the Bank Loans and High Yield markets have continued their recovery and are down 3% and 0.3% YTD, respectively.

### Economic Outlook:

The initial Q2 real GDP report released on July 30 came in at -32.9%, which was one of the largest quarterly declines in U.S. history. Though Q2 will mark the trough in this COVID-induced recession's economic output, the speed of the recovery will largely be based on how quickly the tens of millions of jobs that have evaporated can return. While initial jobless claims have slowed (good), continuing claims have fallen (good), and new job openings are once again on the rise (good), the July jobs report revealed a double-digit national unemployment rate of 10.2% (bad), down from June's level of 11.1%. Relatedly, Congress is currently negotiating the terms of the next trillion-dollar fiscal stimulus package aimed at putting cash in the hands of consumers and businesses.

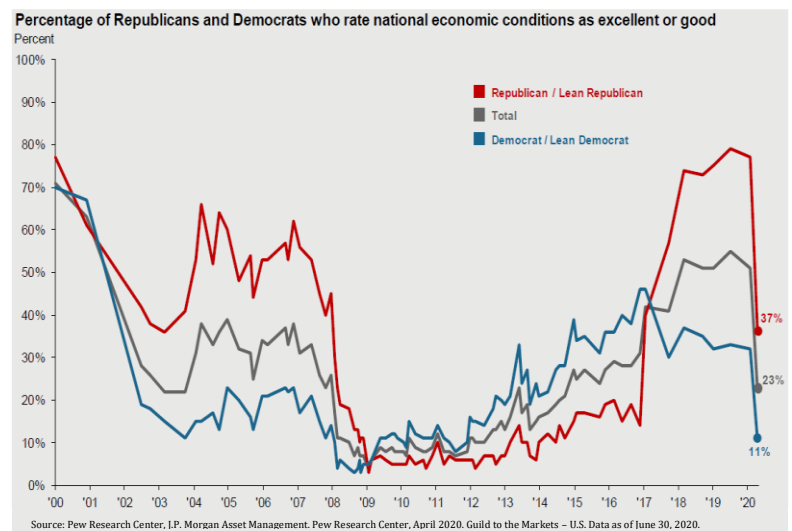
### Insight of the Month:

We are less than 100 days away from the presidential election. Often, our loyalty to a political party can cloud our perception of future economic conditions. This J.P. Morgan chart illustrates that when one's political party is in power, they typically have a favorable view of the economy, yet they turn pessimistic when the opposing party is in power. From 2008 to 2016, when President Obama controlled the White House, only 5-20% of Republicans viewed the economic conditions as "excellent" or "good", despite that period corresponding with general economic health and a strong stock market. After 2016, when President Trump was elected, the exact opposite occurred: Democrats became pessimistic. Regardless of what happens this November, let's stay the course and not let our political views disrupt our long-term retirement plan.

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year	Econ. Indicators	Percent	As of
S&P 500 Index	2.52%	11.85%	0.70%	12.00%	11.90%	11.34%	Fed Funds Target	0.25%	7/31/2020
MSCI All Country World Index	-1.17%	12.21%	-1.49%	7.46%	7.17%	7.67%	Inflation Core CPI	0.70%	7/31/2020
Russell 2000 Small Cap Index	-10.42%	9.14%	-9.47%	-4.52%	2.56%	5.23%	Unemployment	10.20%	7/31/2020
Dow Index	-6.11%	7.87%	-7.27%	0.74%	8.99%	10.82%	Real GDP Growth	-9.50%	7/31/2020
MSCI EAFE Index	-9.38%	8.93%	-8.32%	-1.28%	0.47%	2.14%	Yield Curve Spread	0.44%	7/31/2020
MSCI Emerging Market Index	-2.96%	16.33%	1.31%	6.45%	2.03%	5.64%	Wage Growth	4.63%	7/31/2020

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.61%	9.85%	0.87%	7.61%	11.62%	5.78%	4.07%
US Aggregate Bond Index	2.40%	7.69%	2.46%	5.86%	10.15%	5.60%	4.46%
US Bank Loan Index	4.39%	-2.90%	3.98%	-2.58%	-0.93%	1.92%	2.51%
US High Yield Bond Index	5.03%	-0.29%	7.74%	-0.24%	3.34%	3.89%	4.75%



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