



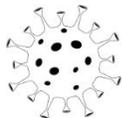
June 9, 2020

Message from Jeffrey DeBoer, ChFC®



As we near the beginning of summer, I hope that you and your family are staying healthy and sane! We are finally starting to see businesses open up around us. I have never seen so many people so excited about hair salons and barbers unlocking their doors! In this update, I would like to share some bullet points from some of the recent client webinars I have presented. We will be hosting more webinars this month and I encourage you to join us to hear our insights and thoughts on how to protect your finances during this pandemic. I also have included the link to our COVID-19 Resource Page, which has a lot of useful updated information to help keep you informed.

If I can assist you with anything at all, please reach out to me. We are here to help you during these challenging times. From our team at DFG... we are wishing you the very best of health and happiness!



COVID-19 Summary

- According to the Wall Street Journal, the number of new Covid-19 cases across the U.S. increased in 14 states, remained steady in 18 states, and has decreased in 18 states. Oregon, Arizona, and Texas have seen significant upticks in cases according to the 7-day moving average. These three states have increased over 50%.
- New cases based on a 7-day moving average remain over 20,000 in the US while cases in Italy, Spain, Germany, and France all are less than 2,000. US down from 30,000 new cases per day but starting to increase as economies reopen.

- **As of June 5, 2020, there were over 1.88 million cases and over 108,000 deaths in the USA.** 400,000 of those cases come from NYC alone, with more than 30,000 total deaths. Worldwide, there have been more than 6.7 million cases and over 393,000 deaths as of June 5, 2020.
- The number of new tests continue to come in at more than 400,000 per day, with NYC accounting for around 20,000 tests per day.
- Only four states remain with statewide stay-at-home orders.
- **The Senate passed the Paycheck Protection Program (PPP) legislation on Wednesday, June 3, 2020, one week after the House passed their version.** The Bill allows businesses that took a PPP loan to also delay payment of their payroll taxes (which was prohibited under the CARES Act). The Bill extends the eight-week period -- when proceeds must be spent for loans to be forgiven -- to 24 weeks or until the end of the year, whichever comes first. This flexibility is designed to make it easier for borrowers to reach full (or almost full) forgiveness. Additionally, the minimum “payroll costs” spend requirement will be reduced from 75% to 60%.



Market Update

- As of this update, the Dow Jones Industrial Average is now -5.0% YTD and had its best-ever 50-day gain from the March lows.
- **The current forward P/E ratio is 21.6x compared to the average of 15.2x** - the highest it has been since the Tech Bubble. However, there is a **wide dispersion across sectors**. Technology is trading at 28x, while Financials are trading at 12x. Expansion of the P/E Multiple are driving market returns.
- Some investors say the recent stay-at-home orders during the pandemic will only accelerate the dominance of the tech and other fast-growing companies that are heavily weighted in the U.S. market. The S&P 500 is dominated by Facebook, Apple, Google, Amazon, and Microsoft. These five companies make up over 25% of the S&P 500 Index.
- Gold prices fluctuated between \$1,680-1,720 per ounce this week. WTI oil future prices have moved near \$40 as OPEC+ now plans to discuss whether to extend record production cuts.
- This last week, investors favored sectors that have been battered during the market turmoil, such as **Energy and Financials**, suggesting a growing optimism about economic prospects. On Friday, June 5, 2020, Energy and Financials were up +7.3% and 4.1%, respectively.
- According to the Wall Street Journal, the market is pricing in a V-shaped recovery, but economists expect a “Swoosh.”



What's Going on in the Economy Right Now?

- **The European Central Bank (ECB) scaled up its bond-buying program to \$1.52 Trillion** in a bold move that puts the ECB's stimulus effort in line with that of the Federal Reserve. Investors cheered the ECB's decision, pushing the euro to its highest level against the dollar since March.
- **Corporate bankruptcies spiked during May** as the coronavirus pandemic slammed the U.S. economy. There were nearly 800 corporations who filed, a level not seen since levels recorded in the wake of the 2007-2009 recession.
- The sharp contraction triggered by the Coronavirus has caused the nonpartisan Congressional Budget Office (CBO) to mark down its 2020-30 forecast for US economic output by a cumulative \$7.9 Trillion or 3% of GDP, relative to January projections. According to the CBO, the roughly \$3.3 Trillion in stimulus programs will only "partially mitigate the deterioration in economic conditions."
- **The PMI for the US, Italy, Japan, and Germany are all below 50, which is a contraction.** Factories in the US and abroad continued to reduce output and shed jobs as May came to an end.
- **The ECRI, which indicates turning points in the economy, has yet to convincingly recover from its drop.** It stands at -16.69% as of May 29, 2020. The ECRI tracks initial jobless claims, mortgage applications, and high yield bond spreads among other things. While the Index dropping below 0 does not guarantee a recession, according to Business Insider, 6 of the 7 recessions since 1967 were preceded by the ECRI going negative. It is currently near its lowest level in history but had trended positive for the past three weeks.
- **U.S. exports and imports both posted their largest monthly decrease on record in April.** Imports are currently at \$235 Billion compared to the 2019 high of \$265 Billion. Exports are currently at \$190 Billion, down from the high of about \$220 Billion.



Unemployment

- The May unemployment rate was a shocking 13.3% (consensus 19.5%). However, 35 million Americans are still receiving unemployment benefits.
- 2.5 Million jobs were added in May. The consensus was a decrease of 8.5 Million jobs, so this was definitely a shocker. We don't believe we are even close to being out of the woods yet however.
- The number of continuing jobless claims came in at 21.5 million.

- Chris Rupkey, Chief Financial Economist at MUFG said, “the good news is the country may have turned the corner in the coronavirus pandemic, but the bad news is economic growth is going to limp along if it has to carry millions and millions of jobless workers.”



What Do the Bulls Say?

- JP Morgan has rotated from **Growth to Value** stocks as of late May, according to their global strategists.
- According to **Jeremy Siegel**, the “riots will have minimal election impact.” He thinks that there may be a “slight benefit” for the Democrats based on current political market odds, however.
- Jeff Buchbinder, Equity Strategist for **LPL Financial**, provided a ray of investing sunshine for those willing to peer through a few clouds. LPL's recent look at market breadth bodes well for long-term returns. **More than 95% of the S&P 500 were trading above their 50-day moving average for the first time since 1991.** While LPL itself says they believe stocks “are due for a pullback,” **returns following this level of market breadth historically have been above average.** The question remains, is the current momentum too strong?



What Do the Bears Say?

- Economist and investment advisor, **Gary Shilling**, believes that **this recession will last into 2021.** He is on the bearish side as most economists forecast a rebound in the second half of 2020.
- Economist **Justin Wolfers** tweeted on Friday, June 5, 2020, “Over the coming months, we all need to remember that these three things can all be true: 1) Covid-19 pushed the economy into a massive hole, 2) the hole is so deep that even just a partial recovery will yield historically unprecedented growth rates, and 3) **the economy is still in a bad, bad place.**”

Parting Thoughts...

- V, W, or U-shaped recovery? Although the stock market is telling us that things could be better going into the end of the year, investors should remain cautious. Consumer demand continues to decrease, and unemployment benefits are due to end within the next two months. And according to Goldman Sachs, there are still economic, trade, political, and unemployment risks to any bullish forecast.
- Let's not forget about Tuesday, November 3, 2020 – Joe Biden has surpassed President Trump, according to political futures markets. **What will happen to the markets if the Democrats sweep the 2020 election?**

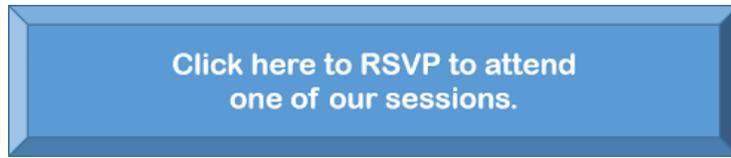
Coronavirus Resources

We are now providing a Coronavirus resource page on our website, where you can access the information most important to your personal and financial well-being. We will be updating the information on this resource page regularly, so make sure you check back often! You can also hear the most recent update from Brad McMillan, managing principal and Chief Investment Officer at Commonwealth Financial Network®, our Registered Investment Adviser.

Just click on the Coronavirus button here to access the information:



I also encourage you to register for one of our upcoming webinars, **“MANAGING THROUGH THE CORONAVIRUS CRISIS”**. You can find more details and RSVP for one of these sessions by **clicking the button below** or you can **call us at (916) 797-1888**. We look forward to sharing this information to help you during these uncertain times.



As always, I’m honored and humbled that you have given me the opportunity to serve as your financial advisor. Stay Healthy and Stay Positive!

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