

Wednesday, July 1, 2020

Good Afternoon,

The second quarter is in the books and, to our great relief, stocks made an amazing recovery to record their best quarterly performance in decades. Of course, we need to put that in context after the worst four-week stock selloff in 80 years. We continue to wonder why there is such enthusiasm for stocks as economic uncertainty gains momentum with the accelerating cases of COVID-19 in the US. We are experiencing much higher rates of confirmed cases than we were during the peak of mid-April. While there is encouraging news of increased consumer spending, the impetus behind the stock rally is likely the unprecedented actions by the Fed and Congress to give money to consumers and add liquidity to financial markets.

With all the money being handed out to offset the economic impacts of the pandemic, one may ask “Where does the money come from?” When asked that question on “60” Minutes in May, Fed Chair Jay Powell responded “We print it digitally. So as a central bank, we have the ability to create money digitally. And that actually increases the money supply.” So, the money used by the Federal Reserve in its lending programs and asset-buying programs was “digitally created” by the Fed. The Fed does not technically “print” money (it does not have a printing press) but rather it creates money with the press of a button on a keyboard. The Fed is forecasted to create \$5 trillion of new money between March 2020 and December 2020 (source: Federal Reserve). It makes me wonder; what is backing up all that money, and where do I get one of those keyboards?

I love to read about American history. I recently finished *Team of Rivals: The Political Genius of Abraham Lincoln* by Doris Kearns Goodwin. When our country was at war with itself, it was Lincoln’s deft leadership and steady hand that led the Union to prevail and put an end to slavery. His magnanimity allowed him to bring his political rivals into his cabinet, gain their trust, and thereby the trust of the entire North. He deflected credit to others and took other’s blame as his own. He was patient, perhaps to a fault, and communicated complex issues in unassuming terms. Contrasts to the contemporary are not easily ignored. There’s a great quote that history is philosophy with examples. What will future generations learn from us?

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Happy Birthday to our great nation! Enjoy the long weekend,

Wade

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