

July 30, 2020

Good Afternoon,

Stocks continue to trade in a range near break-even on the year, albeit with some volatile sessions. Different market sectors have had dramatically different performance this year with leadership from the Technology and Consumer Discretionary areas. We've also seen steep losses in the Energy, Financial and Industrial sectors. The first look at Q2 GDP came out today showing the US economy shrunk by a record 32.9% on an annualized basis. This largest decline ever shows the magnitude of the COVID-19 shutdown and reminds us of the depth of the hole in which we find ourselves. It clearly shows the disconnect between high market values and the actual economy. Oh yeah, and the US and China appear to be in open conflict – with an election coming up.

We had very interesting news this week as Kodak (yes, the failed Rochester film company) was awarded a \$765 million loan from the government to create a “pharmaceutical start-up” to begin making supplies for the industry. While it's potentially great news for our region, it's a bit of a head scratcher. Kodak has no experience in pharmaceutical supply production. The money comes from the International Development Finance Corporation (DFC) whose mission statement is “focused on promoting inclusive economic growth in the world's least developed countries.” Also of note is the fact that Kodak's CEO and two Board members (from private equity firms) each own millions of shares and were granted thousands more over the past 60 days. I suspect we'll be hearing more about this over the coming weeks. What connections these guys have to the Washington favor machine remains to be seen. Guaranteed someone will look to connect the dots.

Major league baseball season has started – well, sort of. More importantly, here's an update from the COVID games: New York has fallen from the bronze medal position as Texas has passed us by moving into 3rd place behind California and Florida in the US case count. New York blew a huge lead heading into the summer as adherence to social distancing and mask wearing has dropped our daily case numbers to around 700, while the new leaders enjoy their “freedoms” and filling hospital beds with an average of more than 10,000 cases per day. While the US has nearly twice the cases of the next leading country (Brazil), President Trump doesn't seem too worried, as he points to how well the US is doing on the “death chart.” Indeed, the US has the gold medal locked up in that category.

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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.

Have a great week! I will try to be nicer then....

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

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