CHB INVESTMENT GROUP
A Limited Liability Corporation

STRATEGIC CLIENT NEWSLETTER

THIRD QUARTER 2020

Market Performance
www.bloomberg.com

Dow Jones Industrial Average

This Quarter	+7.63%
Year-to-Date	-2.65%

S&P 500

This Quarter	+8.47%
Year-to-Date	+4.09%

Nasdaq Composite

This Quarter	+11.02%
Year-to-Date	+24.46%

Indices are unmanaged and you cannot invest directly in an index

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THIRD QUARTER 2020

Third Quarter Positive Performance Erases Losses from Earlier in the Year

The U.S. stock markets surged in the third quarter, pushing both the Nasdaq (+11.02%) and Dow Jones Industrial Average (+7.63%) into positive territory for the year, while the S&P 500 index (+8.47%) erased many of the losses from the first and second quarters of 2020.

- Gross Domestic Product (GDP) decreased at a fairly expected annual rate of -31.4%% in the second quarter of 2020, mainly due to large sections of the economy being shut down from the pandemic. This followed a re-adjusted decreased of -5.0% in the first quarter. *(Source: www.bea.gov)*
- The National unemployment rate levels showed a downward trend as more areas of the economy began opening up throughout the summer, with the following rates for June (11.1%), July (10.2%) and August (8.4%) of 2020. We believe the unemployment rate will gradually decrease over the next 12-18 months. *(Source: www.bls.gov)*
- Nonfarm productivity increased at rate of 10.1% in the second quarter of 2020, with decreases in output (-37.1%) and decreases in hours worked (-42.9%) for the second quarter of 2020. From the second quarter of 2019 to the second quarter of 2020, nonfarm productivity increased 2.8%. *(Source:www.bls.gov)*
- Changes in the Consumer Price Index (CPI) remained nominal as it increased 0.6% in June 2020, 0.6% in July 2020 and 0.4% in August of 2020. We expect this trend to continue for the next 12-18 months as inflation is kept low. *(Source: www.bls.gov)*
- Personal Income increased by $70.5 billion (+.4%) in July of 2020, following by a decrease in June (-1.0% or $205.1 billion) of 2020. *(Source: www.bea.gov)*
- Corporate profits (profits from current production) increased in the second quarter of 2020 by $26.5 billion, contrasting an adjusted decrease in the first quarter of 2020 of $42.2 billion. *(Source:* www.bea.gov*)*

2020 Recession

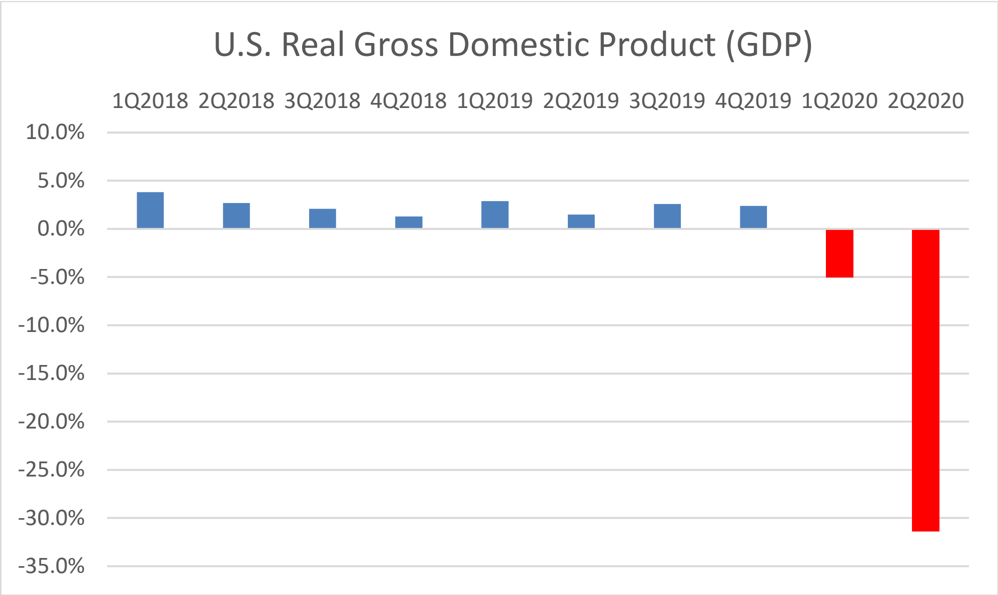
A technical economic recession occurs when there are two consecutive quarters of negative GDP, which we've seen in the first and second quarters of this year (-5.0% and -31.4%, respectively).

Although the stock market is considered to be a leading economic indicator, meaning the stock market declines in advance of an economic indicator, we feel the government mandated shutdowns across the nation created an unprecedented impact to both the economy and the stock markets.

While we believe the stock markets are showing investor hope for a quick economic recovery, we feel that there could be other economic factors created by the pandemic that haven't been fully absorbed by the stock markets at their current pricing.

One such factor appears in the May jobs report *(Source: www.bls.gov)*, which shows that although the unemployment rate decreased from April 2020, there was an increase in *permanent* job loss. We believe this is an indicator of small businesses being shut down for good, unable to sustain long periods of forced closures, as well as larger retailers needing to file for bankruptcy.

We caution our clients that although things look to be recovering, we feel that either this current recession will last for a few more quarters, or we will see another recession quicker than expected, as impacts of the coronavirus continue rippling through the economy. We will continue to monitor the stock markets and economy, and reach out to clients as needed, for any potential changes to their investment portfolios.



Source: www.bea.gov

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2020 Required Minimum Distributions

The CARES Act enabled IRA account holders, age 70 ½ and older, to skip required annual distributions from their IRA accounts. These RMD rules apply to all employer sponsored retirement plans (i.e. 401(k), 403(b), profit sharing plan) and all IRA-based plans (i.e. traditional, SIMPLE, SEP).

In addition, under the SECURE Act, if you reach the age of 70 ½ in 2020 or later, required minimum distributions won't begin for you until age 72.

If you have any questions about how these changes may impact your retirement accounts with us, please call our office.

CHB Investment Group Observations

- We continue to have a bias towards value styles, and also have a slight overweight in mid-large cap stocks. Due to sensitivity of interest rates, and what we feel is the near certainty of the Federal Reserve continuing to keep rates at or near zero, we are neutral on fixed income for the remainder of 2020.
- We have a **neutral bias** in residential and corporate real estate, as the housing markets have slowed in their recovery. We feel that REITs (Real Estate Investment Trusts) are at full value, based on the recovery of underlying assets and long-term valuations.
- We continue to favor corporate debt over Treasury bonds. We expect the Federal Funds target rate to remain at or near 0.00% for the rest of 2020.

This is provided for informational purposes only. We need to review your investment objectives, risk tolerance and liquidity needs before we introduce suitable managers/investment programs to you. All investing involves risk including the possible loss of principal. Mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. There are special risks associated with an investment in real estate, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

CHB Investment Group News

- Aligning with our goal to provide our clients with the highest servicing standards, we are including our annual client profile and information sheet, allowing clients to provide our office with any updated information as it relates to your risk tolerance, investment goals and personal contact information. Any updated information can be sent back to us in the enclosed postage-paid envelope.

For clients who would like to receive non-confidential information regarding general market conditions and CHB Investment Group updates, please send your preferred e-mail address to chris.lindenthal@wfafinet.com

Reminder: Emergency Order Placement Number – If there is ever a need to place an order during market hours, and we cannot be reached due to phone problems or weather issues, please call (866) 258-4606, option #2.

Past performance is no guarantee of future results.
Indices are unmanaged and you cannot invest directly in an index.
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value.
The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial stocks
The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.
Generally, CDs may not be withdrawn prior to maturity. CDs are FDIC insured up to $250,000 per depositor per insured depository institution for each account ownership category. CDs may be issued by out of state institutions.
Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. The prices of small company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product clarification and competitive strengths to endure adverse economic conditions. There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.
Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment. All fixed income investments may be worth less than original cost upon redemption or maturity.
Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Diversification does not guarantee profit or protect against loss in declining markets.
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