

PERSPECTIVES AND POSITIONS

By James F. Dykstal, CFA, Portfolio Manager, August 2020

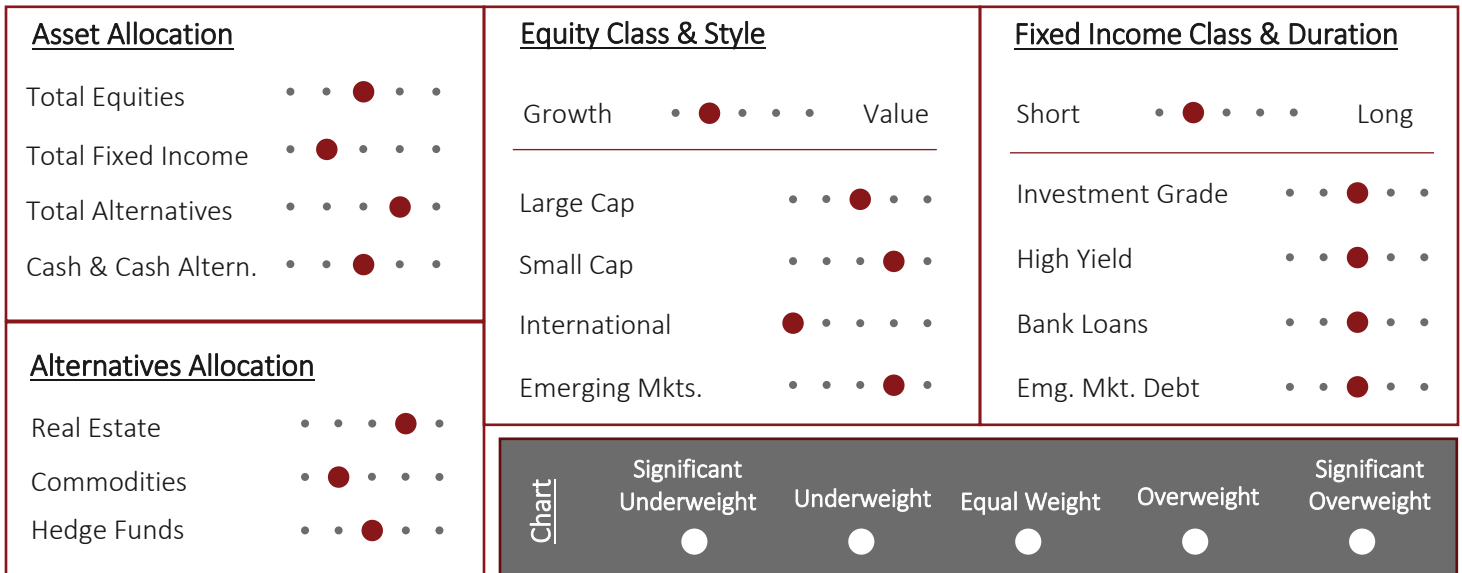
This is a summary of our views on the economy and markets as shared with clients.¹

ECONOMIC AND MARKET OUTLOOK

- U.S. GDP Growth – We expect to see a rebound in GDP growth by 1st quarter 2021, accelerating at a strong pace as businesses reopen and people get back to work.
- Inflation – Headline inflation (including energy) fell in March to an annual rate of 1.5% and has continued to fall in the 2nd quarter. There seems to be little pricing pressure in the economy at this time due to unemployment and lack of consumer spending.
- Employment/Wages – Progress on employment reversed itself in March as the virus began to take its toll on jobs. The unemployment rate jumped from 4.4% to 15% in April, but has since come down as some local businesses have reopened.
- Consumer Spending/Confidence – U.S. personal spending rate increased to a record high 8.2% in May 2020, following a 12.6% drop in April, the largest drop on record. The largest contributors to the monthly increase were spending on health care and food services.
- Interest Rates – Federal Reserve dropped interest rates to the range of zero to 25 basis points in March and has stayed there. We expect the Fed to be on the sideline until 2022.
- Fixed Income – As credit spreads have widened, we remain cautious but have added to high-yield and corporate positions to take advantage of opportunities. We are neutral-weighted to fixed income targets.
- Equities – We expect markets to rebound into 2021 but expect sideways volatility in markets that are hypersensitive to headlines.
- Alternatives – Real estate has provided diversification and ballast to portfolios. We remain invested but are looking to redeploy assets into equities as economic conditions improve.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



If you would like to receive more detailed information on our discretionary consulting services, please contact Tom Woolwine, President; DMS, LLC; a DeMarche affiliate; at twoolwine@demarche.com or 913.384.4994.

¹ Provided by our affiliate, Discretionary Management Services (DMS), LLC