

And My people who are called by My name humble themselves and pray and seek My face and turn from their wicked ways, then I will hear from heaven, will forgive their sin and heal their land. – 2 Chronicles 7:14

I find it ironic that I'm writing this newsletter in the early hours of July 4th, 2020. While we are proud and blessed to be Americans, we are greatly burdened by the trials and challenges we currently face as a country. Yet, we are drawn to a deep sense of peace as we reflect upon the Scripture verse quoted above. It is also our prayer that you, your family and friends are and will continue to be healthy, safe and well!

As states, companies, restaurants, retail stores, etc. have started the process of reopening, we thought it would be interesting to share our reflections upon the most recent past experiences as well as project what we anticipate occurring in the future.

We believe that the world economies and financial markets have been and will be affected by well-defined phases as we progress through these unprecedented times of a global pandemic and domestic civil unrest.

Shock and Awe Phase

Best described as the period between mid-March to late April and characterized by a nationwide self-imposed quarantine, complete economic shutdown and the subsequent bear market ramifications. The S&P 500 experienced the fastest decline on record transitioning from a roaring bull market to a ravaging bear market in a matter of weeks. Economic demand was virtually sucked out of the global economic engine in a matter of days! The Federal Reserve, Congress and the Administration put into place unprecedented stimulus measures to assure the smooth functioning of the securities markets. We adjusted portfolio allocations aggressively to preserve principal and to set aside up to twenty-four months of cash equivalents to cover monthly or quarterly distributions for clients participating in withdrawing from their portfolios to sustain their standard of living.

Transition Phase

Since about the first of May to present this phase emerged as certain areas and segments of the economy began the reopening stage, which has unfortunately been adversely affected by the rate of infection spiking and unplanned civil unrest across the nation. Primarily due to the incredible monetary and fiscal liquidity pumped into the economy, the global financial markets stabilized as the credit markets returned to their normal functions and the equity markets recovered most of the losses experienced since the trough occurred on March 23rd. We expect this phase to be one of "fits and starts" and the timeline and degree of success to be determined by our ability to control the virus spread across the nation and the globe as well as quell the civil unrest by authentic reform measures legislated into place. This phase will also be defined by continued financial market volatility, both up and down, as headlines and emotions will be the primary drivers of daily market activity.



Treatment Phase

This disturbing and unknown pathogen has puzzled the scientific community as various treatment options have been prescribed with varying results. While medical professionals are learning more each day and aggressive testing is assisting in monitoring and containing the country's hot spots, it is likely the consumer will remain timid about reengaging in society and freely spending money. Thus, the economic trajectory will be limited as tenuously improving unemployment levels will remain stubbornly high capping future consumer spending, the primary source of domestic economic growth. If and when a dependable treatment is found to combat the virus and minimize its toll on the human body, we should begin to experience a sustained economic recovery and reduced volatility in the global financial markets.

Vaccine Phase

The wonderful news that should provide us great hope is the number of vaccines presently in the clinical and human trial phases. While not expected to be deemed safe to administer to hundreds of millions of individuals until next Spring (2021), this phase will signal a new era of returning to some semblance of normal and a return to economic activity at pre-pandemic levels. However, the global financial markets, being forward anticipating mechanisms, may forecast this phase several months ahead of the actual rollout of vaccinations and a modest sell-off may ensue after breathing the medical achievement sigh of relief!

Debt Repayment Phase

The most worrisome phase for the long-term and most difficult to structure economic and financial models is the pending required reaction by central banks to the tremendous amount of debt that has been accumulated over the past several months (Three trillion dollars of additional debt just in the U.S. alone so far). While the global stimulus measures were necessary to avoid a non-recoverable economic freefall as a result of the complete and sudden shutdown, this stimulus has required a massive use of government debt. We believe that this phase will require the world's central banks to maintain interest rates at extremely low levels for long periods of time and perhaps in some countries allow interest rates to be negative for a period. It will also conjure up the possibility of an inflationary cycle that could diminish the future purchasing power of the dollar and other currencies. And, finally, the requirement just to pay interest on the mounting pile of debt will most likely result in increased taxes not only for citizens specifically here in the U.S. but also around the world. It will be a tricky stage to navigate but we are presently modeling different scenarios and plan on being up to the task!

Election Cycle

It is quite unfortunate and disturbing that our elected leaders have chosen a path of extreme and vitriolic polarization. This political divide within our nation is the primary driver of the civil unrest, the untethered spread of the virus and a sense of hopelessness. Thus, between now and the general election in early November, social, health and financial legislative decisions could take place with a venomous lack of cooperation between the two political parties. This could result in misplaced policies and legislation that could further damage the economy and torpedo the nascent stock market recovery we have presently enjoyed. It could also lead to undue and unnecessary market volatility for the next several months of which

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opportunities and challenges will both rise to the surface. Once again, we are modeling various election outcomes with the hope of structuring investment portfolios accordingly.

Thus, and while this is no guarantee of future performance, we are confident that you will be pleased with quite dramatic short term rebound of your portfolio values between the March 31st, 2020 cycle and June 30th portfolios sent to you. We appreciate your trust and confidence in our firm as we continue to successfully manage your assets through these unprecedented days, weeks and months.

Although most of our advisors are not currently offering any physical face to face meetings in our offices due the pandemic, we are able to have productive phone consultations and have added the ability for video meetings so that we can continue to provide all of the financial planning and wealth management services our clients need.

Please contact us directly if we can assist you or friends and family members with providing peace of mind and effectively address any questions or concerns that may rise to the surface. This is not a solicitation for referrals, simply an offer to be a resource if that would be helpful.

Finally, please find our firm's Form CRS (Client Relationship Summary) linked below, also known as Form ADV Part 3. Form CRS summarizes the types of services we offer to retail investors along with our fees, costs, and conflicts associated with those services. It also provides information on our firm's standard of conduct as a fiduciary, whether our firm or associated persons have disciplinary history, and how to get more information about our firm.

https://www.seamountfinancial.com/files/Form_CRS_Document_Seamount_Financial_Group_Inc.pdf

You may also find additional information about our firm through the Investment Adviser Public Disclosure system at www.adviserinfo.sec.gov.

As always, we welcome your questions and comments at any time.

Sources: *The Wall Street Journal*, *Reuters News Service*, *J.P. Morgan Guide to the Markets*, *Brian S. Wesbury, Chief Economist, First Trust Advisors L.P.*

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