GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

July 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3185.04	2.73%	2.73%	-1.42%
Dow Jones Industrials	26075.30	1.02%	1.02%	-8.63%
NASDAQ Composite	10617.44	5.55%	5.55%	18.33%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.30%
10-yr Treasury Bond	0.64%
30-yr Treasury Bond	1.33%

Information as of July 10, 2020 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Did we miss the boat?

As with all the bear markets and economic recessions of the past, investors always struggle with when they should get back into the market. Many watch with amazement as the market surges up on the initial rally and fear they've missed the boat. They remain on the sidelines and wait for a pullback to invest all of their funds, this time afraid that a new lower bottom will take place. This usually results in investors waiting until the market is substantially higher many months or years later. While these anecdotes are inevitably true, history shows the investors can experience ample rewards, even if they miss the initial surge, if they continue to patiently invest on pullbacks. The reallocation of funds into the market after a major drop in value is too often thought of as an "all or nothing" proposition, but prudent investing is a process of scaling into the market, while also appreciating the risk associated therewith as the underlying economic issues emerge.

The following comments from the Raymond James 2020 2nd Quarter Equity Market Update provides a good reference point for longer-term investors. Therein, our Director of Equity Portfolio and Technical Strategy, Michael Gibbs, notes that "overall, there continues to be disconnect between the economic picture and the equities market. Equity markets have recovered over 75% of the decline witness from peak to trough, but still remain down over 8% from it's all-time high. While the rate of ascent is pronounced, it is not a surprise that investors would look through 2020 and focus on the recovery in

2021 as equites tend begin to discount the future recovery before earnings and the economy sees improvement, causing valuations to expand. In fact, the 20% return for 2Q 2020 was the fourth best quarterly return since 1950. **While some may think that they have missed the sharp snapback, historically, following the prior 9 best quarterly returns, momentum continues and the next quarter and 12-months forward returns remain strong. Additionally, keeping a long-term perspective, if this is the beginning of a new bull market, bull markets tend to be long-lasting with average returns of 155% over 3+ years, so there remains plenty of upside for investors even after this strong rally**."

End of a Bull Market, Beginning of a New One

The 11-year bull market came to an end with 1Q 2020 registering the worst 1st quarter return (since 1979). However, it was followed by the 4th best quarterly return since 1950 and best return since 4Q 1998. While the returns seen in 2Q are impressive, we do not believe it takes away from the potential returns for long-term investors. As seen below, since 1950, the **next quarter return**, following the prior 9 best quarterly returns, **has been positive 100% of the time** (averaging 9.09%). More importantly, the **next 12 month return has been positive almost 90% of the time** (averaging 14%). Also, assuming we are in the early stages of the next bull market, bull markets tend to last upwards of 3 years with the average return over that time of 155%, so a 20% quarterly return is unlikely to rob the potential upside in equities for a long-term investor.

Bull Markets

Trough	Peak	Price Change	# of Days
Jun-49	Aug-56	267%	1,789
Oct-57	Dec-61	86%	1,042
Jun-62	Feb-66	80%	913
Oct-66	Nov-68	48%	516
May-70	Jan-73	74%	665
Oct-74	Nov-80	126%	1,555
Aug-82	Aug-87	231%	1,277
Oct-87	Jul-90	71%	691
Oct-90	Jul-98	304%	1,963
Oct-98	Mar-00	68%	368
Oct-02	Oct-07	105%	1,259
Mar-09	Feb-20	396%	2,759
Average		*155%*	*1,233*
Median		*96%*	*1151*

After bear markets end, bull markets ensue.

Bull markets last longer than bear markets, and produce substantially more gain. The average gain of 155% over 1233-days (3.37) for bull markets since 1949 far outpacing the nearly 1-year declines of ~30% declines for bear markets dating back to 1957.

Best Quarterly Returns Since 1950			
Date	**Return**	**Next Qtr Return**	**Next 12m Return**
3/31/1975	21.59%	14.19%	23.28%
12/31/1998	20.87%	4.65%	19.53%
3/31/1987	20.45%	4.22%	-11.25%
6/30/2020	19.95%	?	?
6/30/1997	16.91%	7.02%	28.10%
12/31/1982	16.79%	8.76%	17.27%
12/31/1985	16.04%	13.07%	14.62%
9/30/1970	15.80%	9.43%	16.78%
6/30/2009	15.22%	14.99%	12.12%
9/30/2009	14.98%	5.49%	7.96%
Average		**9.09%**	**14.27%**
% Positive		**100.00%**	**88.89%**

Source: FactSet and RJ Equity Portfolio & Technical Strategy

We hope this information provides some peace of mind regarding the potential market recovery, and the hope that you aren't standing on the dock thinking you missed the boat.
Thank you for your continued trust and confidence, it is highly valued. Enjoy your summer

PLANNING STRATEGY

Raymond James "Point of View" article. M20-3144376

Took Your 2020 RMD? IRS Offering Relief via Rollover Option

Taxpayers who took RMDs as early as January 1 now have the option to roll the funds back into a retirement account by the end of August.

As part of its provisions to help support individuals and businesses during this challenging period, the Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended required minimum distributions (RMDs) for 2020. However, many taxpayers had already taken their 2020 RMD by the time this provision was passed.

On June 23, 2020, the IRS expanded the CARES Act**,** allowing taxpayers who already took an RMD between January 1 and June 23, 2020 from certain retirement accounts the opportunity to **roll those funds back into a retirement account** by August 31, 2020. Beneficiary IRA owners can also roll over previously taken 2020 RMDs through August 31.
The relief provided by this provision is broad and applies to traditional IRAs, SEP IRAs and SIMPLE IRAs, as well as 401(k), 403(b) and governmental 457(b) plans. Furthermore, the relief applies to both retirement account owners themselves and to beneficiaries taking stretch distributions.

Given the market volatility of the last few months, this change allows retirement portfolios that experienced recent declines time to potentially recover, and it might allow certain investors to draw income from more tax-efficient sources.

If you've already taken your RMD for 2020, there are strategies available that can allow you to return the distribution to your retirement account without tax consequences. Please contact your financial advisor for more information. He or she can work with your tax and legal professionals to determine how this legislation affects you directly.

LIFE & LEISURE

Raymond James "Point of View" M20-3103366

4 Priceless Money Lessons for Kids

Financial tradeoffs, interest rates and the importance of having an emergency fund: Our current economic circumstances are full of teachable moments we can and should share with our children. After all, they're probably not learning these topics in school. Only 1 in 6 students will be required to take a personal finance course before earning a high school diploma, according to nonprofit Next Gen Personal Finance.

That's why we're equipping you with money tips and topics to discuss with the children in your life, plus independent study materials (ahem, videos and games) that will hold kids' attention while teaching them money management. Keep reading to get to the head of the class.

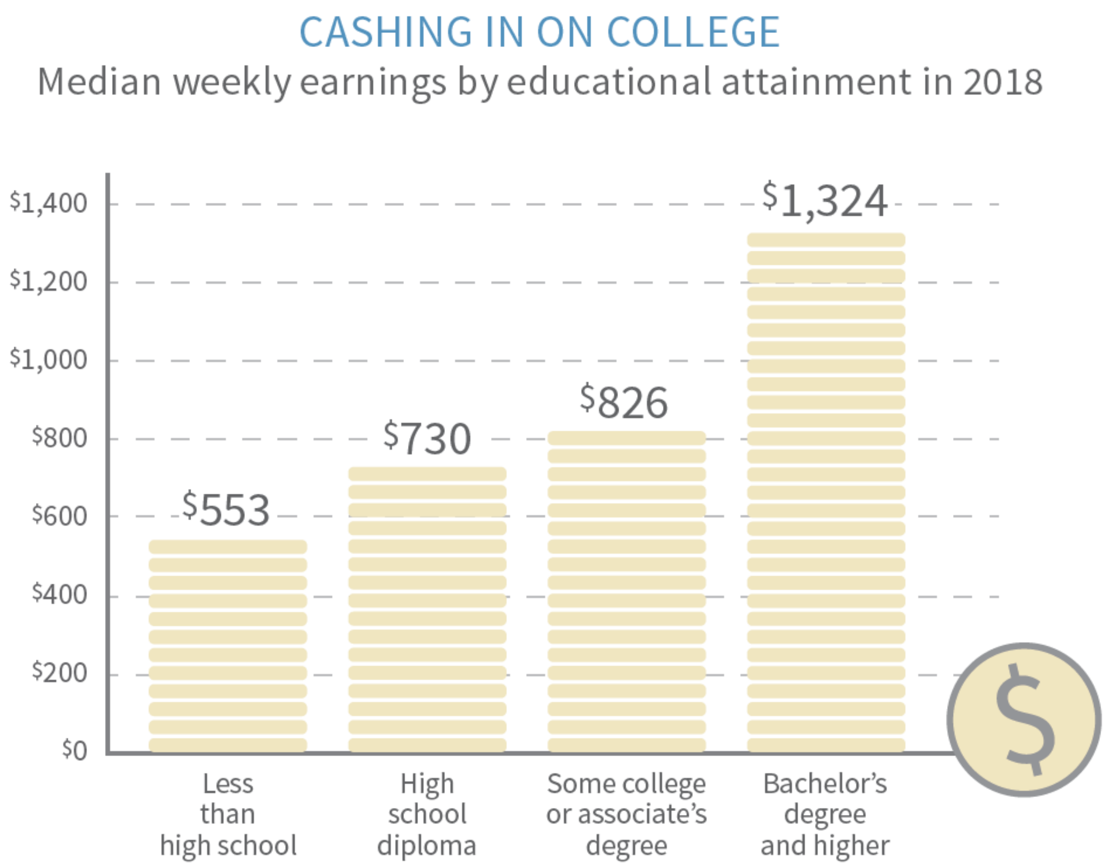
Being in charge of the budget

Are your children constantly asking you for money? One Florida father found a way to nip that in the bud: He had his teen and preteen sign a contract stating what expenses he would pay for, then gave them a set amount of money to spend each month for clothing, cellphone bill and extras. "My son's hard lesson came when his friend pushed him into a pool along with his cellphone. … He learned why it's important to build a reserve for unexpected expenses," the father said. Giving your kids a paycheck allows them the chance to make financial decisions – and experience the consequences firsthand.

The economics of higher ed

We've all asked a kid, "What do you want to be when you grow up?" Instead ask what their interests are, and help them explore how they might be applied in a future career. This teaches them adaptability, something of value in a changing economic landscape.

As they get closer to making a decision about whether to attend college or trade school, help them think through the costs and benefits. Junior Achievement's Access Your Future app can help them crunch the numbers. And if you have a child already attending college, know that timing is everything. Yale researchers have found that graduating from college in a bad economy has a lasting negative impact on wages – and many students are considering gap years and grad school because of this.



The roots of retirement

Raise your hand if you want to raise a child who will hit the ground running when it comes to saving for retirement. Personal finance experts say we should let our children know that retirement is the biggest expense they'll ever save for, and it's important to start early. To help them understand the value of compounding, help them open a savings account (or guardian-type brokerage account) where they can experience the power of this phenomenon for themselves.

Extra credit knowledge

When you're young and don't have much money, it's easy to rely too much on credit and jeopardize your financial future. Help your child understand the importance of a good credit score, and explain how you keep yours up. Share stories about how you financed your first car or house, and explain in concrete terms how the interest rate affected the overall purchase price. Finally, consider adding your teen as an authorized user on your credit card and teaching them how to read a statement and pay the balance in full each month.

In giving your child the gift of financial literacy, you're helping set them up for a brighter future. Through a purposeful approach, we can all do our part to raise the next generation of resourceful citizens.

Homeschool resources

For teens:

- Search ngpf.org/arcade for web-based games like "Money Magic," "Payback," "Stax" and "Credit Clash"

  For younger kids:

- Schoolhouse Rock! vintage videos like "Budget" and "Dollars and Sense"
- Cha-chingusa.org offers Money Smart Kids videos like "Do it Passionately" and "Saving for Success"

Next steps

- Have family or friends share stories of how they thrived during a recession or found creative ways to stretch a budget.
- Consider helping your child get started with investing, keeping in mind their investments will change calculations for college aid.
- Introduce your family members – even the younger ones – to your advisor, who can act as a teacher's aide for financial literacy.

Quote of the Month: "The dangers of life are infinite, and among them is safety." — Goeth

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