

*We appreciate you and are here to support you. Now, more than ever, appreciation and respect for all is critically important. It is through these three ideals we become a united people, capable of accomplishing great things.*

We cannot remember a time when we've seen such a widespread disparity between what is happening in the economy and what is happening in the stock market. Let's take a look at some of the data:

In April, the unemployment rate soared to a post-depression high, and revealed the worst monthly job loss reading since records began in 1939. In a single month, nearly all of the jobs created after the financial crisis disappeared, at least temporarily. April's drop in industrial production, a metric the Federal Reserve has tracked since 1919 – registered the biggest monthly decline on record. Furthermore, consumer spending in April recorded the biggest decline ever recorded.

Nearly one in four working Americans have experienced a job loss, and if there is any good news, it is that the number of first-time filings has been declining. This would suggest that paycheck protection loans are kicking in, and reopening are encouraging businesses to recall furloughed workers.

May's employment report unexpectedly dropped to 13.3% and Labor Department statistics indicated employers added a stunning 2.5 million jobs, the largest monthly increase on record!

Since the March 23 market low, the S&P500 index has rebounded significantly. Simply put, economic activity is falling with depression-like speed, but the major averages are in the midst of an impressive rally. The adage "stocks climb a wall of worry" has never been more appropriate amid economic devastation and an outlook that remains incredibly murky.

#### **A closer look at the Wall Street/Main Street disconnect**

We believe a combination of factors has fueled the rally since late March.

The unprecedented response by the Federal Reserve has far outpaced its 2008 reaction. The same can be said of government fiscal stimulus. Investors are also keeping close tabs on state re-openings, which will reemploy furloughed workers, help stabilize the economy, and set the stage for a possible economic rebound later in the summer. Talk of vaccines has also helped.

You see, investors don't simply look at today's data, which in many cases is backward-looking. Instead, they are forward-looking as they attempt to price in economic activity, the level of interest rates, corporate profits, and more over the next 6-12 months.

#### **Collective wisdom**

Any given level of a major stock market index represents the collective wisdom of tens of millions of stock market investors. It is not simply an opinion, but an opinion with money behind it.

When stocks were in a free fall in March, investors were anticipating a devastating blow to the economy. Tragically, the reported data did not disappoint.

Has the rally been too much, too quickly?

Even in the best of times, economic forecasting can be difficult. Today, the outlook is clouded with a much greater degree of uncertainty.

1. Will the virus lay down over the summer?
2. How will reopenings proceed?
3. How quickly can a readily available vaccine and treatment be developed?
4. What might happen to COVID-19 next fall and winter?
5. How quickly will consumers venture back in public and resume prior spending patterns?

These are all difficult questions to answer.

We don't expect a return to a pre-COVID jobless rate anytime soon, but investors are betting that an economic bottom is in sight. We understand the uncertainty facing all of us and are grappling with a health care crisis that has led to an economic crisis, not to mention recent civil unrest. It's a combination none of us have ever faced.

In previous notes, we have emphasized some financial planning issues that incorporate the COVID-19 crisis and its impact on your finances.

We highlighted the many scams that have sprung out of the pandemic. Be careful, new ones pop up all the time. We have written about new rules that make it easier to tap into your IRA if you've been affected by the coronavirus. It is important to craft a plan. Here are some more ideas that may be helpful to you:

1. **If you have a mortgage**, record low rates could save you hundreds of dollars every month. Review the numbers and determine if refinancing makes sense.
2. **Are you making monthly payments on federally-backed student loans?** Through September 30, 2020, <https://www.consumerfinance.gov/about-us/blog/what-you-need-to-know-about-student-loans-and-coronavirus-pandemic/payments> for student loans owned by the federal government are suspended and the interest rate is zero.

No action is required by you. If someone contacts you and can stop payments provided you pay a fee, hang up the phone or ignore the email. This is a scam.

Your deferred payments will allow you the opportunity to build up your savings. Or, if your finances are solid, any monthly payments will go entirely towards principal, enabling you to pay off your loans sooner than anticipated.

3. **Consider college refunds and your 529 plan.** With lockdowns, dorm closures, cancelled meal plans, and online learning, you may be due a refund from your college. <https://www.collegeinvest.org/covid-19-college-refunds/> If you used 529 funds, your refund becomes a taxable distribution and is tagged with a 10% penalty.

Normally, you have 60 days from the date of the refund to redeposit the funds without liability. Today, the period has been extended.

If the 60-day period ends on or after April 1, 2020 and before July 15, 2020, the redeposit can be made any time before July 15, 2020 or 60 days after the refund date, whichever is longer.

4. **Do you need financial assistance from your bank?** Contrary to popular opinion, banks don't want to get tough with borrowers. A bank's business model is based on repayment of loans, not foreclosures. In today's environment, many banks are willing to work with you, but you must reach out to them. The same holds true for utilities and other monthly services.

**Mortgage forbearance programs may be available for those who have lost jobs due to the pandemic.**

Be sure terms being offered are reasonable. Again, reach out for assistance. Simply stopping payments may quickly lead to bigger problems.

**Do you need a Financial Plan, a review or update?**

The attached brochure describes the process of starting a financial plan. If you have been thinking about or wanting to begin this important journey, we are here to support and help you formulate your plan.

**Next steps**

We are here to help. We like being proactive, not reactive. You may find you are in a much better position than you realized which will relieve an enormous amount of stress.

If you have any questions or would like to discuss any matters, please feel free to give us a call.

*As always, we're honored and humbled that you have given us the opportunity to serve as your financial advisors.*

*Jim, Rob, Larry & Launa*

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"The highest compliment we receive is a referral of a friend or family member".

**Thought of the day:**

*"An investment in knowledge pays the best interest"*

- Benjamin Franklin