August Thoughts from Home

Analysts are always looking for the intersection of Wall St. and Main St., where the stock market and the economy meet. Economists issue dire profit warnings at every economic downturn and every substantial market sell off is the start of the next recession. The year 2020 may finally redraw the economic map and show that Wall St. and Main St. may run parallel, but the distance between them is growing. Here are some points to consider:

1) U.S. GDP shrank 32.9 percent in the last quarter. Main St. has taken a major hit from COVID. After an initial knee jerk reaction sell off in March, Wall St. has largely recovered and the Nasdaq has even moved higher.

2) The majority of the government bailout money is going to Main St.: individuals and small businesses. Wall St. is now much better capitalized and can ride out swings in the economy, as shown by last quarter earnings and current stock prices.

3) Certain sectors of Wall St. that invest directly in Main St. have definitely been negatively affected. Hotels, leisure, airlines and real estate stocks have all suffered but they will recover faster than Main St. due to better funding, the availability of cheap capital and low interest rates.

4) The spread of COVID-19 has generally slowed globally with the notable exceptions of Brazil and the U.S. Their recoveries will be longer and bumpier but they should be able to figure it out eventually, as the rest of the world largely has.

Here's how we are proceeding:

1) Staying focused on the best of Wall St. - We are maintaining our U.S. overweight positions and sticking with our technology investments which have proven to be very strong in a tough market environment.

2) We continue to hold some Main St. positions such as the banks, as they represent excellent long term value with high dividend income in the meantime.

3) We are keeping an eye on equity valuations and the breadth of the market advance. If any stocks run too far ahead, or if the market begins to rotate into more Main St. stocks, we will adjust the portfolios accordingly.

4) We continue to be mindful of U.S. currency exposure. The U.S. dollar has weakened recently as COVID has continued to spread in the U.S. and other global economies continue to improve. We expect the U.S. dollar to level out at their usual trading level shortly, but we continue to believe the strength in U.S. stocks outweighs the currency risk at this time. We did reduce U.S. exposure recently by switching Honeywell to Cargojet, a Canadian logistics company as we saw better performance potential.

As always, your feedback and comments are greatly appreciated. Stay healthy!

Yours truly,

Trevor, Walter and the Cooper Wealth Management team