



# 2020 Midyear Market Outlook

## The Road to Recovery

Q2 2020 may have marked the bottom of the cycle

We are in the early stages of recovery

Yet There are still **Concerns**

Pain has been felt widely at the local level



### Private

Small Businesses  
Gig Economy  
Contract Workers  
Doctors & Dentists



### Public

State & Local  
Municipalities



### Education

Colleges  
Universities



### Entertainment

Sports  
Concerts  
Cultural Institutions

## Stimulus can do only so much

The Fed has provided the **largest stimulus ever** in relation to U.S. GDP

But personal financial stimulus checks may be **going into savings accounts** while we count on consumer spending for 70% of the US GDP

## A path forward

Investors need to watch for signs of green shoots and recovery at the local level

## Disruption Accelerated

### Compressed Trends

10-year trends in **mobility**, **e-commerce** and **cloud computing** have accelerated during the pandemic



## Winners & Losers

Companies positioned well for digitization have rebounded quickly

WINNERS

### Big 5 Dominate

**5 largest tech companies** make up over 20% of S&P 500 index cap\*

\*As of 6/10/20

S&P 500 Market Cap

20%

Amazon  
Google  
Apple  
Facebook  
Microsoft

### Cash Flow is King

**The big 5 have more than \$500B** in cash and are buying or consolidating faster than any time since 2015

\$500B

LOSERS

Some sectors are being disrupted



### Energy

- New technologies driving prices down
- Price war between Russia and Saudi Arabia



### Financials

- Compressed lending margins hurting income statements
- Holding more capital to offset credit risks

## A Focus on Credit Quality

### The search for yield in a declining interest rate environment

### Fixed Income Silver Linings

### Beneficiaries of Change



### Media

### QSR

### Supermarkets

### Health Care

### Able to Raise New Capital



### Auto



### Home Builders

### Facing Existential Risks



### Airlines



### Cruise Lines



### Energy

Over 50% of the market is rated BB, the highest in history

High-quality industry leaders, downgraded to fallen angels, are changing the high yield sector

Low interest rates make credit markets attractive

Treasury yields are at extreme lows; **investors should carefully consider this risk**

A falling dollar is good news for developing countries

## Policy, Politics, and Populism

In the short term

### Globalization vs. Nationalism

#### NATIONAL

The crisis has fueled a backlash against economic globalization



#### GLOBAL

Long term benefits of globalization are too compelling to be derailed

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As of 6/10/20

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