



# 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



## 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

Amazon  
Google  
Apple  
Facebook  
Microsoft

### 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%

### 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

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**

A falling dollar is good news for developing countries

## Policy, Politics, and Populism

In the short term

### Globalization vs. Nationalism



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As of 6/10/20

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