



# Quarterly Market Insights

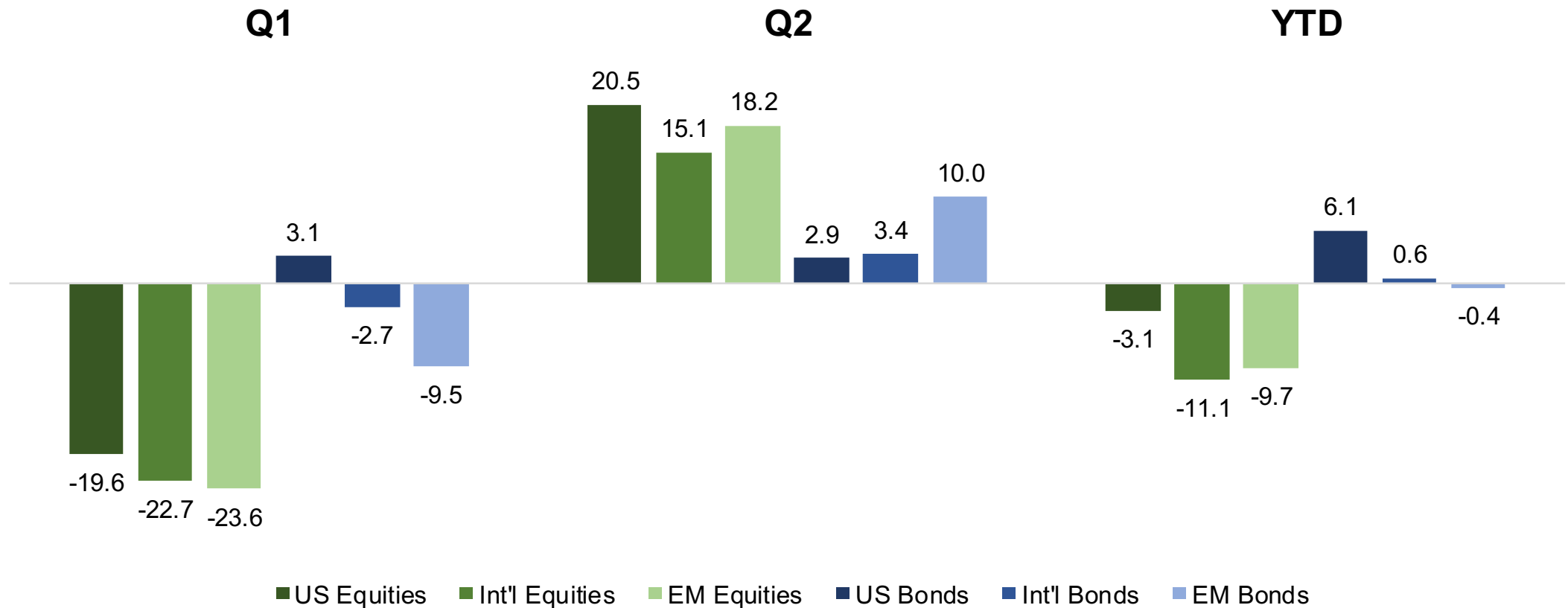
Q2 2020

ASSETMARK™

Quarter-end Webinar series

# The second quarter saw a strong rebound in risk assets

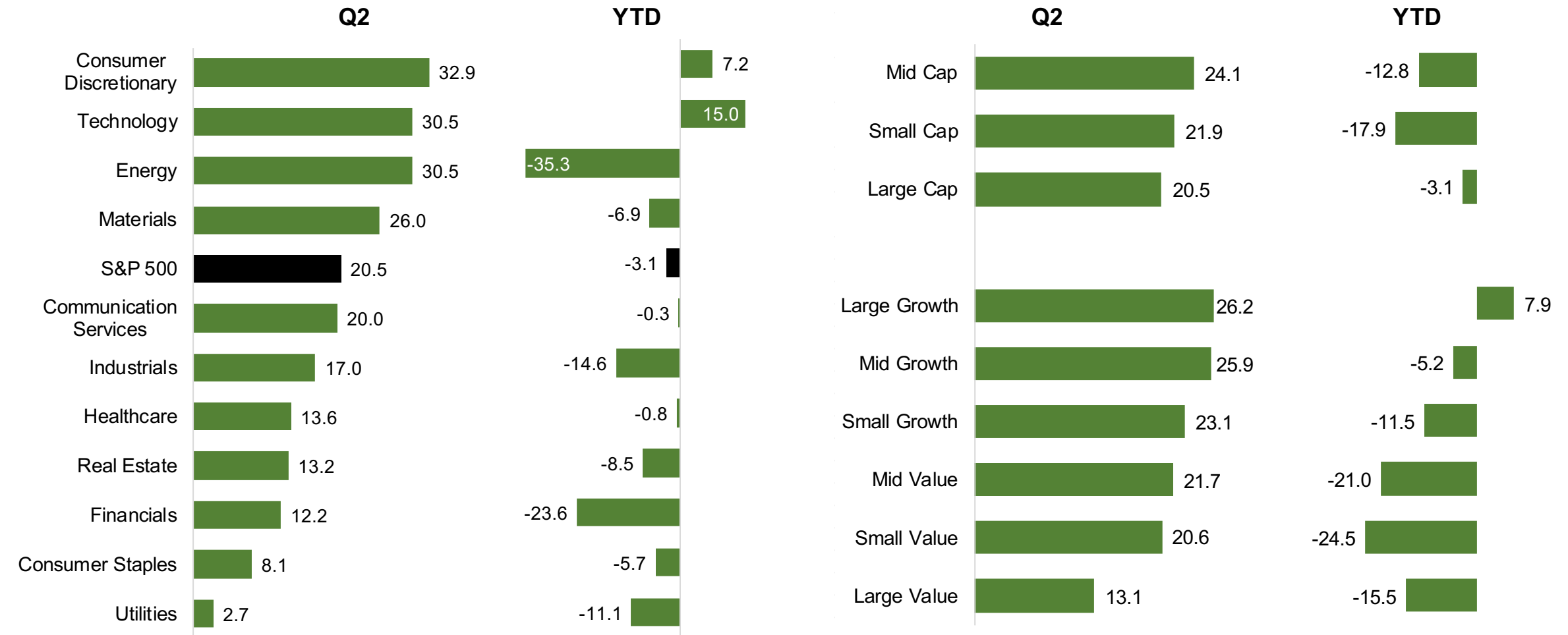
## Broad Market Returns



Source: Morningstar. S&P index used for US equities, MSCI indices used for non-US equities, Bloomberg Barclays indices used for bonds

# Technology held up best, benefiting growth assets

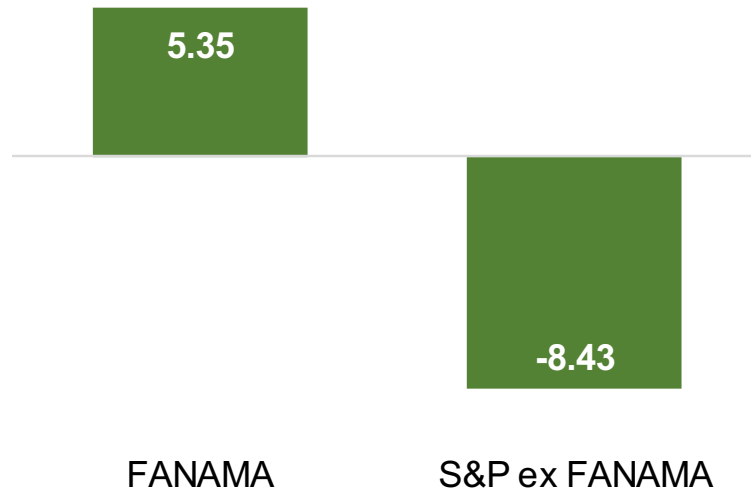
## US Equity Sector and Style Returns



Source: Morningstar. S&P indices used for sector and styles.

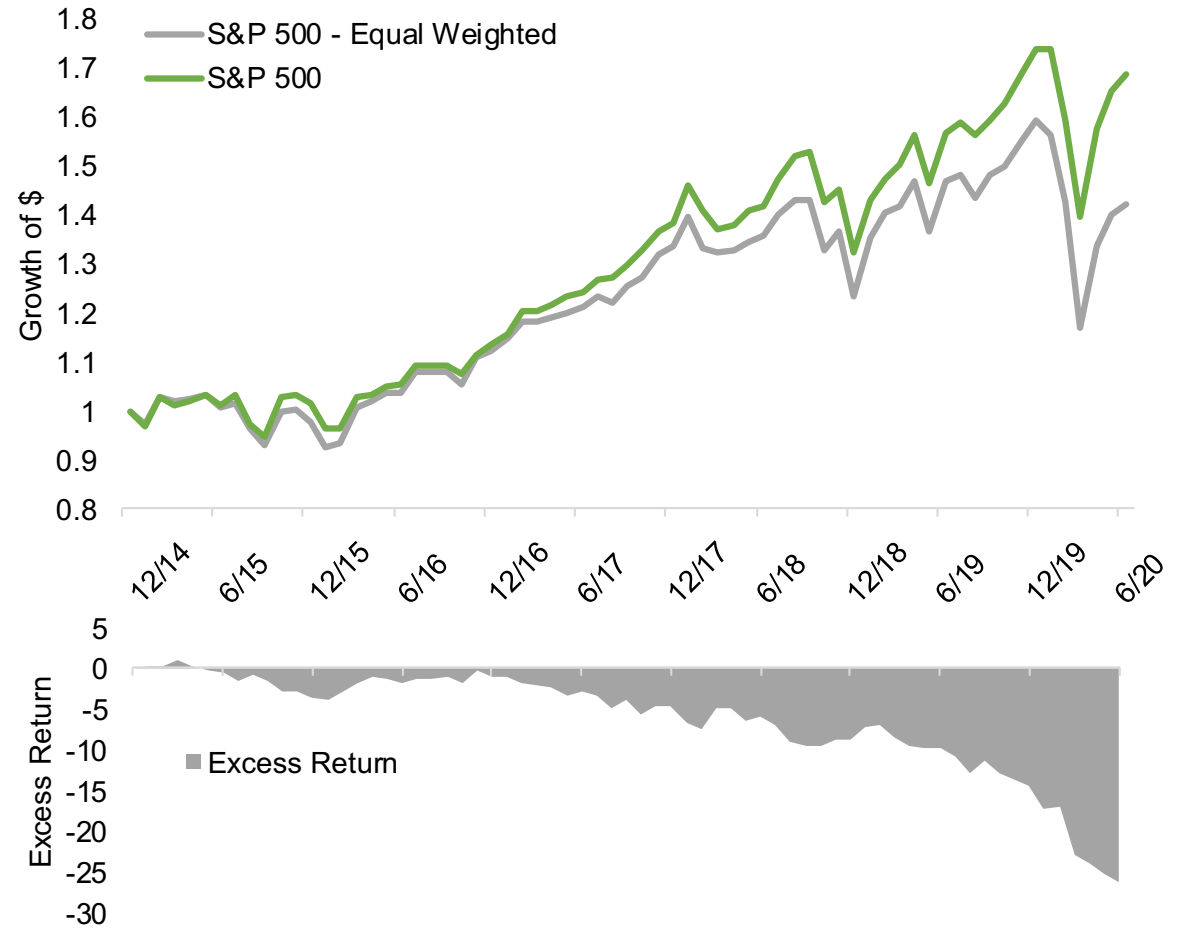
# US equity market has been driven by a handful of stocks

## YTD Contribution to S&P 500



The dominance of the mega-cap technology-related stocks has grown over the past five years, widening the gap between the equal weighted and market cap weighted indices

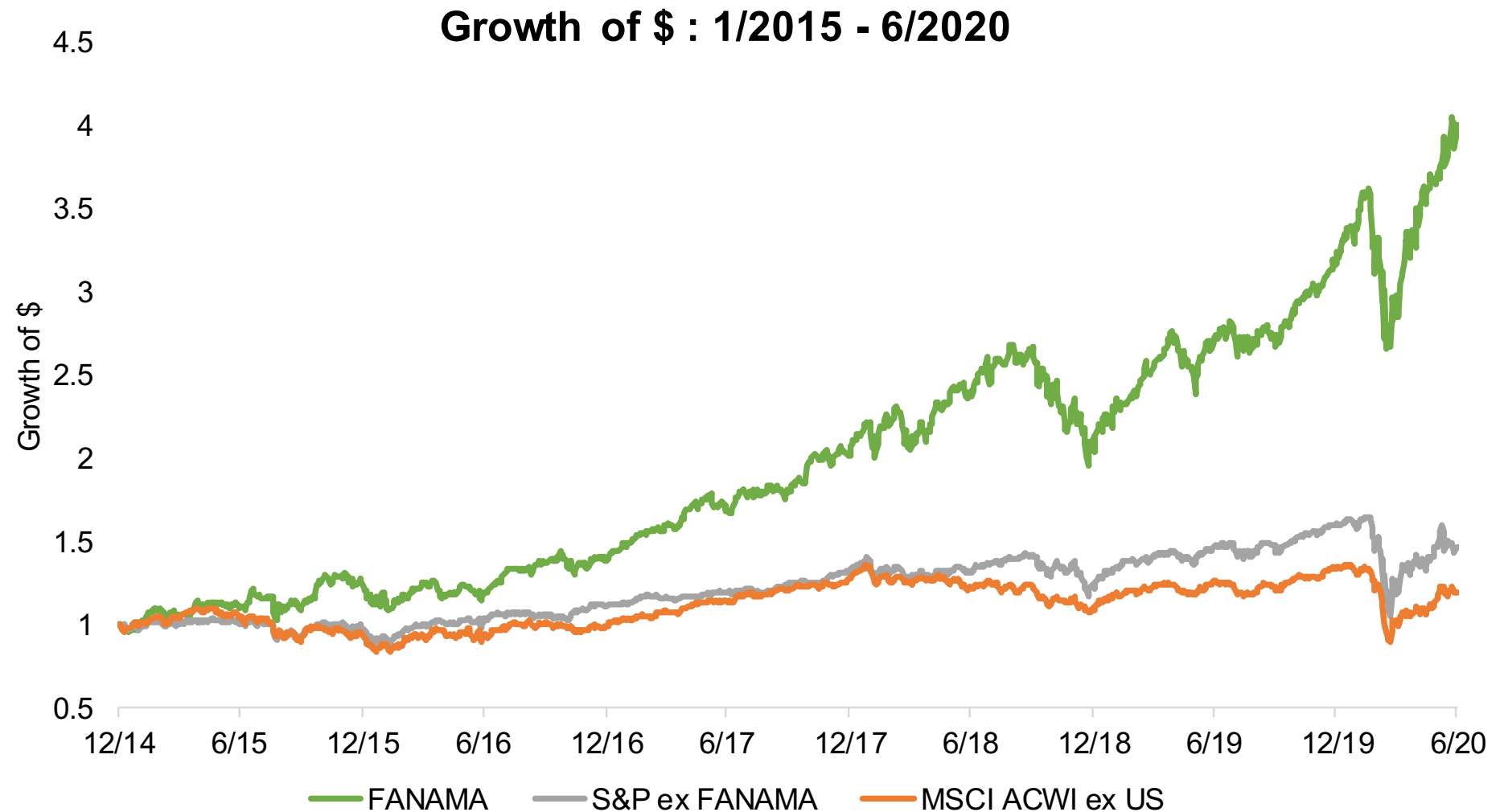
## Growth of \$ - since 2015



Source: Zephyr Style Advisor, FactSet. FANAMA = Facebook, Alphabet (Google), Netflix, Amazon, Microsoft, Apple

# Concentration in the largest names lifted US equities vs. international

When the largest six stocks were removed from the S&P 500, US equity markets were more in line with the international equity markets



Source: Bloomberg: FANAMA = Facebook, Alphabet (Google), Netflix, Amazon, Microsoft, Apple

# Key Themes

## Market



Comparing  
economic  
recessions



What will the  
economic recovery  
look like?



What do market  
recoveries look  
like?

## Portfolio



Ignore the  
short term



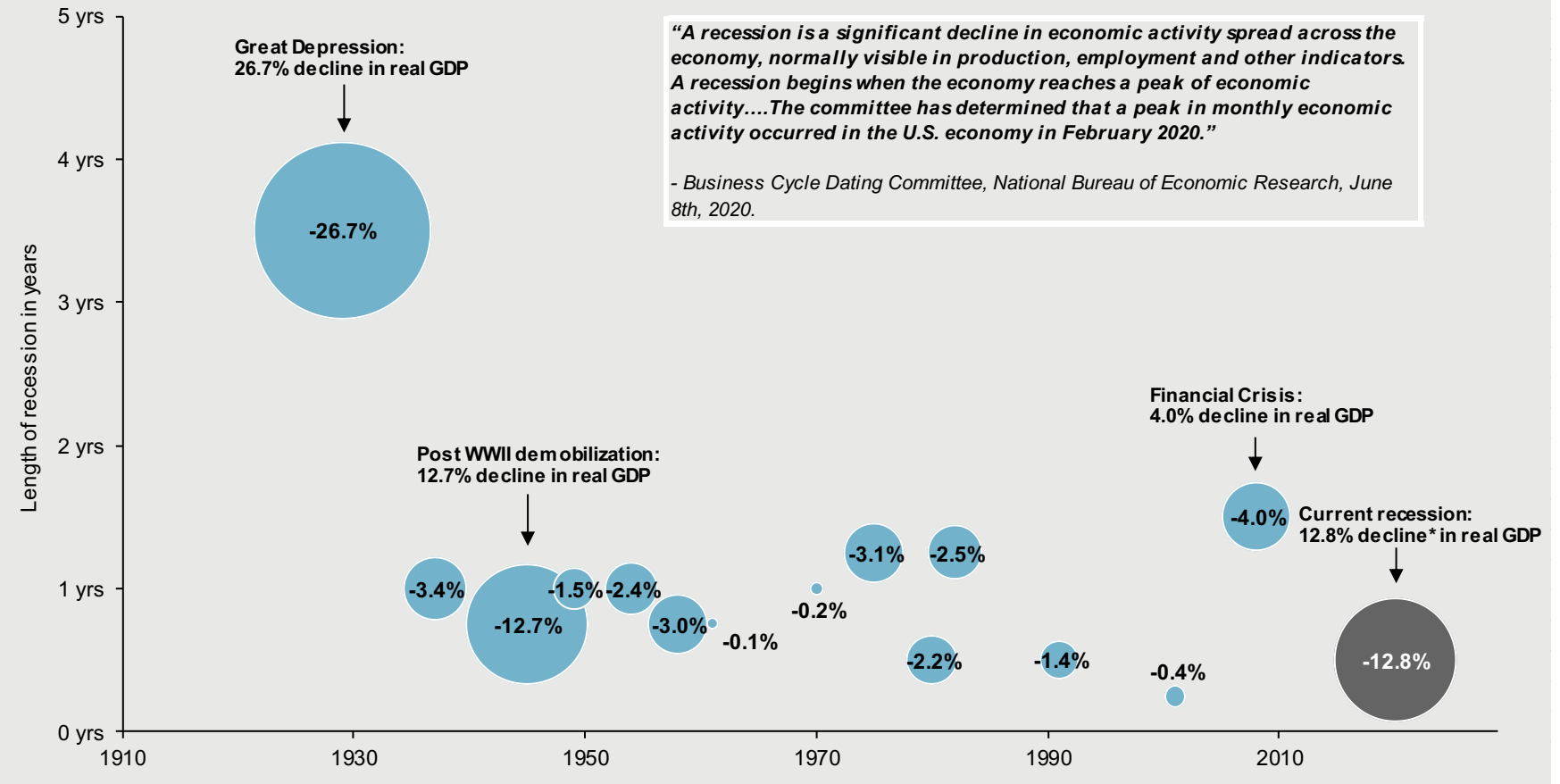
Longer term  
viewpoint

# Comparing the size and duration of US economic recessions

The 2020 recession was one of the largest compared to others, but also one of the shortest

## The Great Depression and post-war recessions

Length and severity of recession

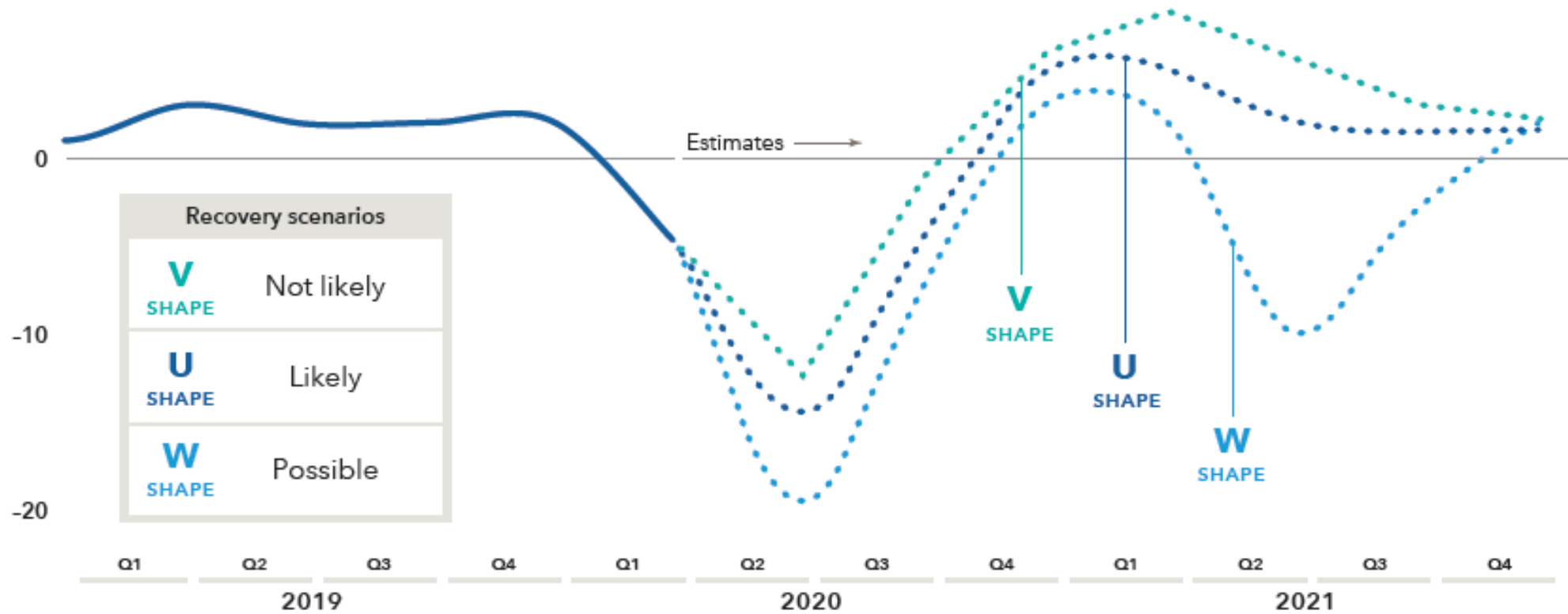


Source: JPMorgan – “Guide to the Markets Q3 2020”. Chart Source: BEA, NBER, J.P. Morgan Asset Management.

Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data. \*Current recession reflects JPMAM estimate of peak to trough decline for the recession beginning after February 2020 according to the NBER.

# The economy will recover but shape and pace is uncertain

10% Annualized GDP growth

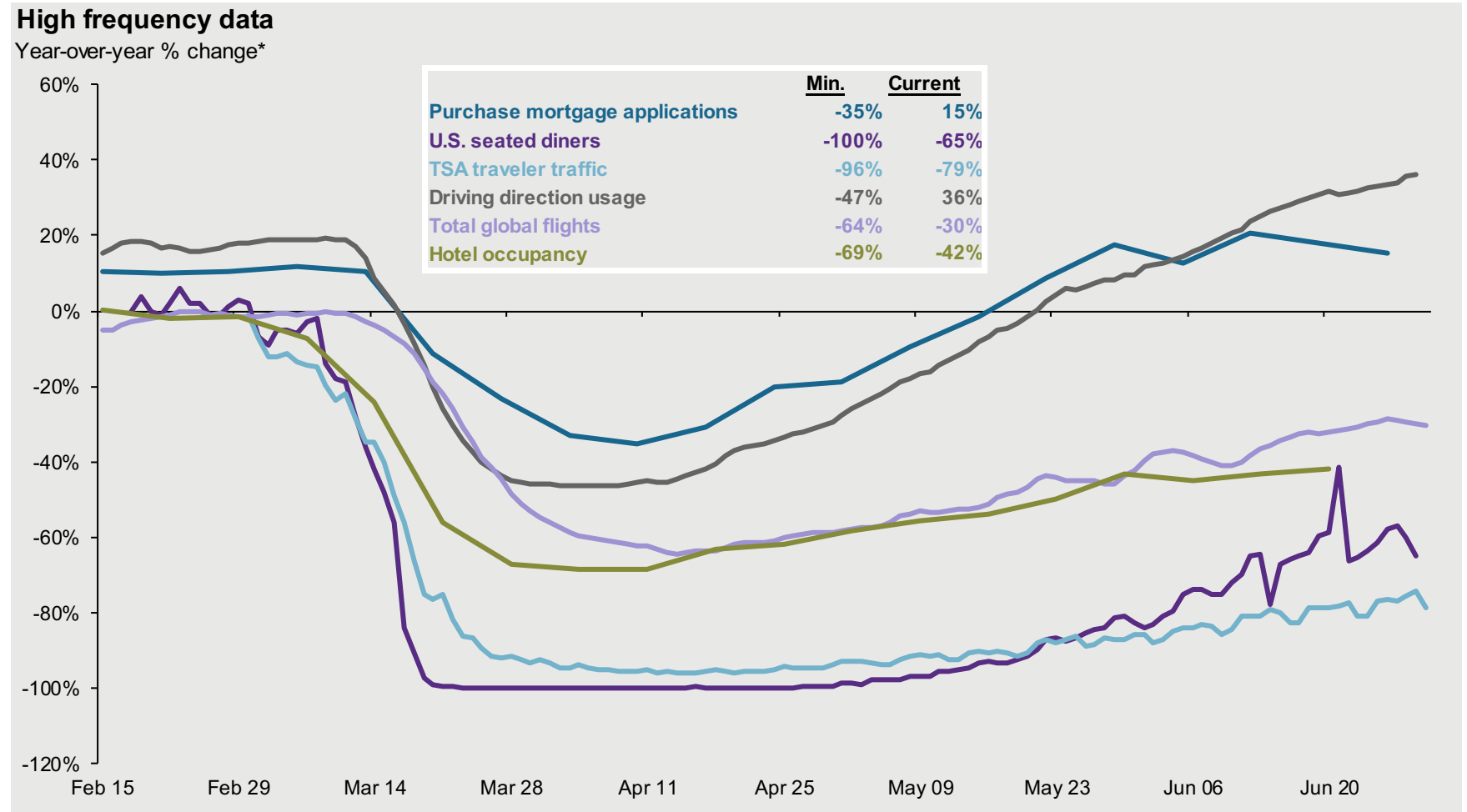


SOURCES: Capital Group, Bureau of Economic Analysis, Refinitiv Datastream. As of 5/31/20. Data for the three recovery scenarios are based on estimates from Capital Group U.S. economist Jared Franz.



# The economic recovery is very uneven

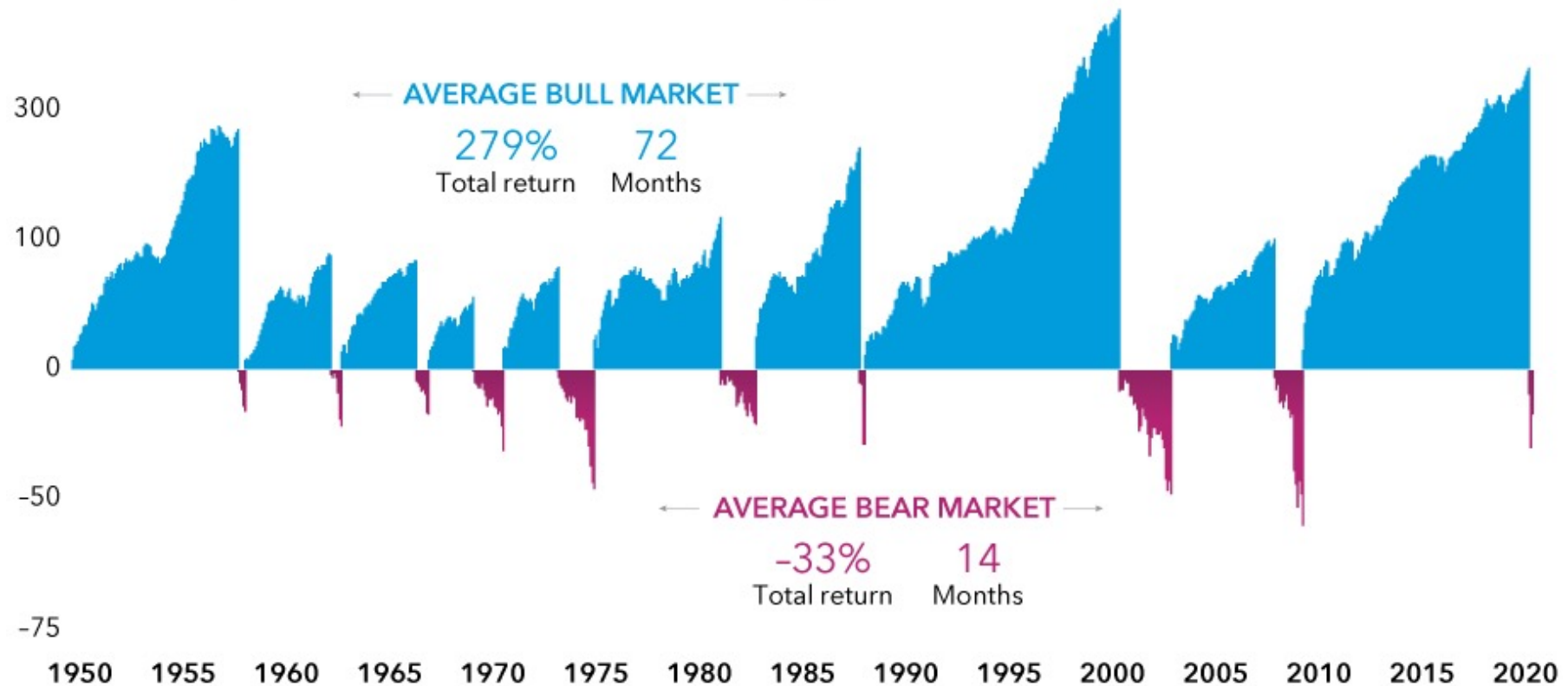
Some areas of the economy are seeing better progress than others



Source: JPMorgan – “Guide to the Markets Q3 2020”. Chart Source: Apple Inc., FlightRadar24, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan Asset Management. \*Driving directions and total global flights are 7-day moving averages and are compared to a pre-pandemic baseline

# Equity market recoveries are longer and stronger

700 Cumulative price return for each bull and bear market (%)



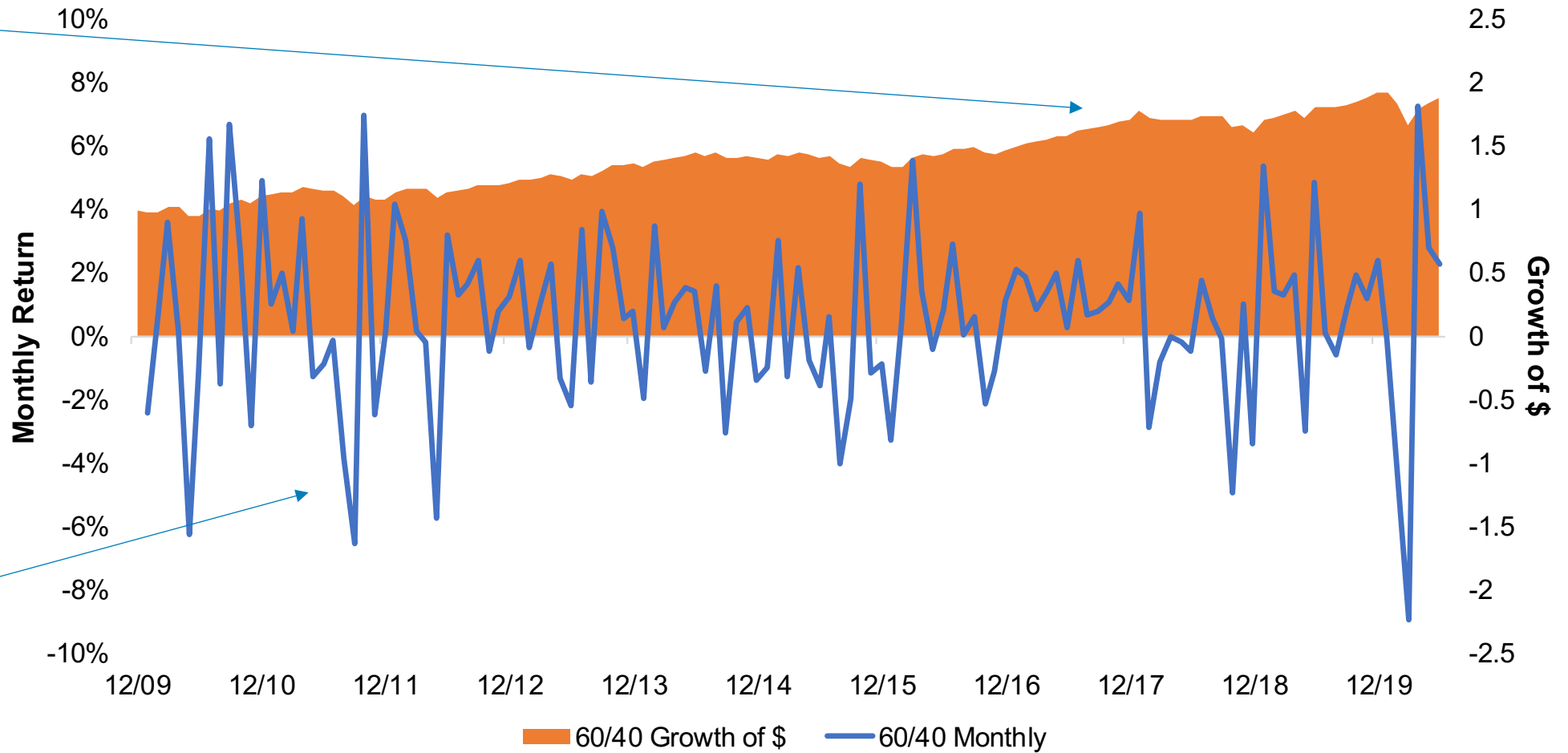
Sources: Capital Group, RIMES, Standard & Poor's. As of 4/30/20. The 2020 bear market is considered current as of 4/30/20 and is not included in the "average bear market" calculations. In all other periods, bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns are in USD.

# Focus on the longer term

Global 60/40 Index Blend : 12/31/2009 – 6/30/2020

Long-term view is smoother as portfolio grows over time by staying invested

Short-term view is volatile due to monthly return focus



Source: Zephyr Style Advisor. Global 60/40 Index Blend is represented by 60% global equities (MSCI ACWI) and 40% global bonds (Bloomberg Barclays Global Aggregate)

# Disclosure

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