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On the Roller Coaster

We at **Kelleher Financial Advisors** hope you had a good Fourth of July holiday. And while this year's celebration may have been very different than those in the past, we hope you enjoyed time with family and friends, and maybe even watched some fireworks. Right now as social distancing is increasingly important and a new wave of COVID-19 cases develops, **KFA** continues to believe our doctors and medical community will help us conquer this disease although this terrible fight is far from over. Meanwhile, the US economy appears to be turning a major corner, with interest rates at its lowest in decades and a robust equity market foretelling better times may be ahead later in 2020.

The second quarter of 2020 has been quite the roller coaster ride. However, since the initial coronavirus crash, the stock market has rebounded powerfully. The recent spike in cases throughout the US has not halted this rally with the Nasdaq recently hitting a fresh all-time high. A successful rebound from a sharp sell-off in May further bolstered market gains and has managed to overcome another sharp sell-off in June as even a sharp increase in Covid-19 cases failed to quell optimism.

Recent economic data has come in significantly better than what economists had expected and in some cases beating previous records. In May the US Bureau of Labor Statistics employment report showed a record 2.5 million jobs created - 10 million more than economists expected according to Bloomberg. Additionally, retail sales soared nearly 18% in May, again much better than what was expected. And while these rebounds are coming off historically low levels, it is encouraging to see how quickly the economy may be coming back.

The big question is when will the economy get back to normal? Although parts are coming back quickly, other areas may take years. Industries including airlines, restaurants and hotels are going to be under pressure for quite a while. In the ten US recessions occurring since 1950, it took nearly 30 months on average for all of the jobs that were lost to come back. After the tech bubble recession in the early 2000s, it took four years for all the jobs to return and more than six years for all of the lost jobs to return after the financial crisis of 2008-9. In the

past three months nearly 20 million jobs were lost and even with recent re-hiring activity in May and June, it may take years to recover all of those job losses.

The big wild card which can affect everything: A major second wave of COVID-19. Although we do not expect to go into full lock-down mode again, more restrictions may be put in place which could hinder the economic recovery. But it's not all bad news. In June, Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Disease, said that a vaccine may be available by early 2021. Dr. Fauci noted that in the past it took years to develop a vaccine against viruses but today with the entire scientific world working together to beat COVID-19, this vaccine may be the fastest to market ever produced.

And besides all the health and economic challenges we're facing, we also have an upcoming presidential election. Whichever party you're aligned with, there are undeniable challenges in running a race while going through a pandemic – an unprecedented situation to which both parties will have to adapt their campaigning strategies.

History may be a guide as to what happens next and it has shown us over and over that better times are to come. I wish you a healthy and happy summer and again, please feel free to contact me with any of your financial questions.

Warmly,

A handwritten signature in cursive script that reads "Colleen Kelleher Sorrentino". The signature is written in black ink on a light-colored background.

Colleen Kelleher Sorrentino



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2nd Quarter Market Perspective

Tom Burnett, CFA, Vice Chairman & Director of Research, Kelleher Financial Advisors

“Pass the Dramamine, please” became the request for stock market investors who surely encountered bouts of motion sickness caused by the market’s violent movements during the first half of the year. The year began on a positive note and several indexes traded at record high levels in February. The Covid-19 outbreak quickly put the markets into a tailspin with the primary indexes selling off by 35-40% in five weeks time.

By mid-March, however, the bottoms had been reached and the stock market rallied sharply in the second quarter. In fact, the Dow Jones Industrial Average rose 18%, its best quarterly performance since 1987. Similarly, the S/P 500 Index rose 20% in the June quarter, its best quarterly return since 1998. While both the Dow and the S/P 500 remain down for the year, the NASDAQ Composite is up 12% for the year. In terms of securities, the leading performance was logged by the long-term Treasury bond with a total return of 21% for the first six months of the year. The Federal Reserve has made it clear that it will keep short-term interest rates near zero through the 2021 year. This policy has obviously helped the bond market perform so well this year.

Looking ahead, investors will need to deal with several negative factors - the Covid-19 resurgence; the U.S.-China trade conflict; the upcoming Presidential election and the severe decline in corporate earnings this year. On the earnings front, consensus estimates from FACTSET see a decline of 25-30% this year with hopes for a rebound next year continuing to be guided lower. Most observers expect the volatility to continue in the second half of the year with so much uncertainty in the near term. There is no short-term panacea - the best strategy remains “quality stocks for the long term” along with the patience to ride out the sometimes violent short-term swings.

Index/Commodity	YTD Return June 30
Dow Jones Industrial Average (TR)	-8.6%
S/P 500 Index (TR)	-3.0%
NASDAQ Composite	+12.1%
Nikkei 225 (Japan)	-5.8%
Shanghai (China)	-2.3%
DAX (Germany)	-7.1%
CAC 40 (France)	-17.4%
FTSE (UK)	-18.2%
Gold (\$ per oz.)	+18.0%
Rate on 10-Year Treasury Bond	0.62%
VIX Volatility Index	+76.4%
Source:	Wall Street Journal July 1, 2020



KFA Webinar

The Future of Work in a Post-COVID World

Wednesday, July 22, 2020

Colleen Kelleher Sorrentino, CFA, Chief Investment Officer of KFA joined Bart Weisenfluh, Founder & President, Starboard Advisors and Rob Lawrence, SVP, Corporate Strategy & Corporate Development, LogMeIn for a detailed look at what the workplace will look like in a post-COVID world: our commutes; daily routines; work habits, opportunities for employment and more.

[Link to Webinar Recording](#)

KFA Webinars

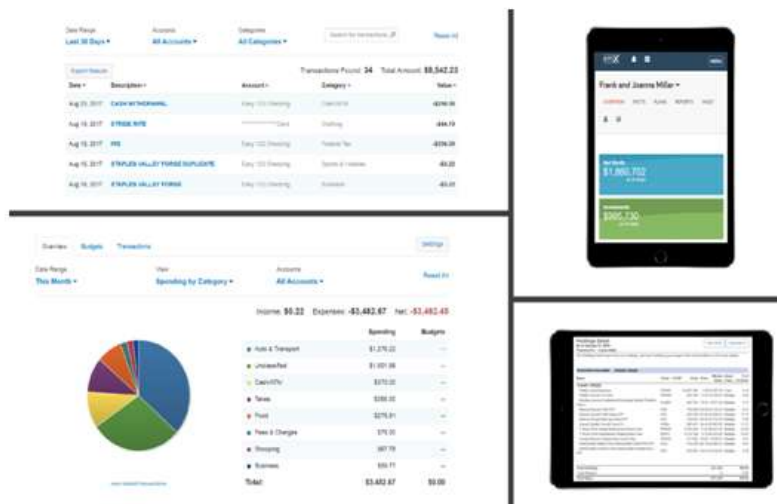


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100 Wall Street



KFA is still open for business and are able to receive phone calls, mail and faxes with little disruption. Even though we are not in the office together, our team still continues to collaborate virtually. Likewise, while we may be postponing in-person meetings, we are available for FaceTime, Zoom and other types of virtual meetings.

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For more information:

Call us at: **212-232-5685** or visit us at: **www.kf-advisors.com**

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