

Week 12. Wall Street vs Main Street.

Friday, June 5, 2020

To All Financial Journey Partners Clients,

The Nasdaq Composite index hit an all-time intraday high on Thursday, June 4th. It may seem hard to understand when we are still in the middle of a pandemic, unemployment is high, businesses are still in the process of reopening and there are large demonstrations happening across the country.

Is Wall Street out of touch with Main Street? We will discuss this topic further in this week's email.

As a reminder, there is an [archive of our past emails on our website](#). Our Weekly Client Emails tell the ongoing story of our shared experience as we stay safe and continue to serve you, our valued clients. Thank you for the trust you show us every day.

Please feel free to pass these emails on to your family members, friends, and co-workers who you think would enjoy and benefit from them. We would also welcome introductions, [contact us](#) if they are looking for a financial advisor.

Respect and Kindness for All

Like everyone, we were appalled and saddened to hear about the story of George Floyd last week. We believe strongly in the importance of showing respect and kindness to everyone.

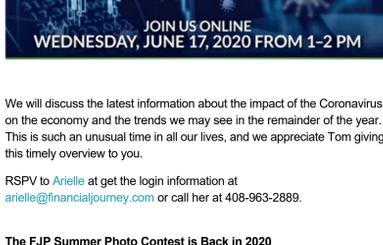
It has elevated the discussion by corporate leaders, political leaders, community leaders as well as across the dinner table about why this is so important. This may be even more important during this difficult and stressful time of a worldwide pandemic.

It brings up the question "What can I do to help make this a better world?"

We have always tried to show respect and kindness to those we interact with each day – clients, our team, friends, clerks, and everyone that helps us. We also work with some nonprofits that model civil discourse to work on social issues and laws as well as nonprofits that help teach others the golden rule – treat people with dignity and respect.

Thank you for doing what you do already as well as raising your awareness and activities on additional ways you can help make our society better.

We hope throughout our nation many will have deep conversations and take actions to reduce bias rather than actions that harm others.



It has been our goal to help all our clients through this challenging time by providing frequent communication through individual calls, these weekly emails, the [COVID-19 resource page](#) and our [quarterly newsletter](#).

Most recently we are providing more ways to provide you with information through our [webinar](#) later this month and with some fun with launching our [summer photo contest](#).

We are looking forward to the day when we can see those in our area visit our office. In the meantime, we appreciate having the opportunity to see you online in our zoom chats.

If you have friends, family or co-workers who could use our help, please [introduce us](#) and we will talk with them to see if there is something, we can do to help.

Attend our Webinar, The Economic Impact of the Coronavirus

We are hosting the webinar "The Economic Impact of the Coronavirus" on June 17, 2020 from 1-2 pm. Our special guest speaker will be Tom Logan, Investment Strategist at BlackRock.

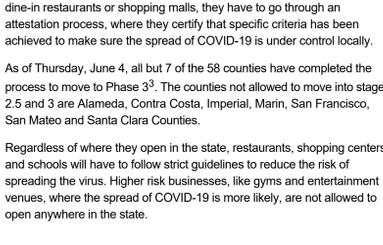


We will discuss the latest information about the impact of the Coronavirus on the economy and the trends we may see in the remainder of the year. This is such an unusual time in all our lives, and we appreciate Tom giving this timely overview to you.

RSVP to [Arielle](#) at get the login information at arielle@financialjourney.com or call her at 408-963-2889.

The FJP Summer Photo Contest is Back in 2020

Celebrate the summer as America reopens with the [FJP Summer Photo Contest](#). Your summer adventures in 2020 may take you on trips or this may be the year when you decide to stay closer to home.

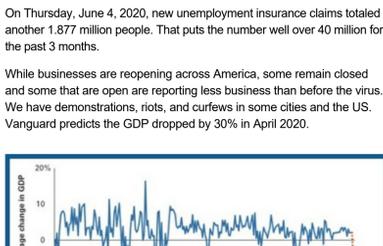


If you enjoy taking pictures, we think there are lots of opportunities to take great photos. The contest runs through August 31. We hope you participate and have fun sending us your best photos and share your stories. [Learn more](#) and enter as many times as you like!

SpaceX Launches Astronauts into Space

It was 2011 when the last US astronauts went into space from the US aboard the Space Shuttle. This past Saturday, astronauts Doug Hurley and Bob Behnken rode the SpaceX Crew Dragon capsule aboard a Falcon 9 rocket on their mission to the International Space Station.

The sleek and modern design of the capsule included touch screens, indirect lighting and seats used in race cars. SpaceX also updated the designs of the space suits to make them more functional and looking like they came from a Sci-Fi movie. This is the first time US astronauts have gone into space on rockets from a private company.

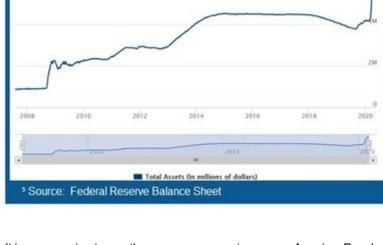


SpaceX has been using a design for the Falcon 9 rocket that allows the rocket booster to come back to earth, land safely and be reused. Each Falcon 9 rocket mission has a price tag of \$62 million. Saving the booster recuperates around \$46.5 million of that, making space travel much more affordable¹. If you get a chance, check out the landing of the booster – what an incredible engineering feat!

The current mission for NASA is called Explore Moon to Mars². The objective includes landing on the moon and establishing a sustained human presence on the Moon by 2024. The agency plans to use what they learn on the Moon to prepare for the next big leap, which is sending astronauts to Mars.

Some of California Moving to Phase 3

What is open and what is not open in California depends on the county you live in. Dine-in restaurant service has been open for weeks in Butte and El Dorado counties, while curbside retail pickup is all that was allowed through June 4 in Santa Clara County.



The variation is because Governor Gavin Newsom is allowing each county to decide when they want to reopen their economies. Some areas are allowing retail with curbside pickup, manufacturing, logistics, childcare facilities, car washes, pet groomers, landscapers, and outdoor museums.

However, if a county wants to reopen hair salons, barber shops, schools, dine-in restaurants or shopping malls, they have to go through an attestation process, where they certify that specific criteria has been achieved to make sure the spread of COVID-19 is under control locally.

As of Thursday, June 4, all but 7 of the 58 counties have completed the process to move to Phase 3³. The counties not allowed to move into stage 2.5 and 3 are Alameda, Contra Costa, Imperial, Marin, San Francisco, San Mateo and Santa Clara Counties.

Regardless of where they open in the state, restaurants, shopping centers and schools will have to follow strict guidelines to reduce the risk of spreading the virus. Higher risk businesses, like gyms and entertainment venues, where the spread of COVID-19 is more likely, are not allowed to open anywhere in the state.

Santa Clara County Update

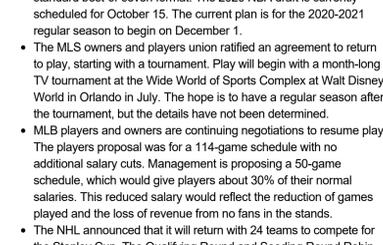
Santa Clara County has updated their Shelter-in-Place Order to take effect on Friday, June 5, 2020. Some of the significant changes include opportunities for these [business types to open](#), subject to limitations/social distancing:

- Outdoor dining at restaurants and other facilities that prepare and serve food
- Retail and shopping centers for in-store shopping
- Childcare, summer camps, summer school, and all other educational or recreational programs for all children, in stable groups of up to 12 children
- All manufacturing, warehousing, and logistics
- House cleaning and other no-contact in-home services
- Low contact/no contact service businesses such as shoe repair, watch repair, and other similar services
- All pet grooming
- Outdoor small ceremonies and religious services, in groups no larger than 25
- All outdoor recreational activities that do not involve physical contact, with social distancing, including swimming pools, tennis, golf, etc.
- Camping, subject to limitations/social distancing
- Drive-in Theaters and other car-based gatherings

Why is the stock market near all-time highs?

On Thursday, June 4, 2020, new unemployment insurance claims topped another 1.877 million people. That puts the number well over 40 million for the past 3 months.

While businesses are reopening across America, some remain closed and some that are open are reporting less business than before the virus. We have demonstrations, riots, and curfews in some cities and the US. Vanguard predicts the GDP dropped by 30% in April 2020.



Some small businesses in large cities that have been closed for several months due to COVID-19, are now boarded up to protect themselves from damage due to protests and rioting. In Main Street USA, things are not what they used to be at the beginning of the year.

The Nasdaq Composite just hit an all-time high, and the other indexes are not far behind. So why is the stock market and Wall Street doing so well? This is a question we are hearing from clients and in the media. Is Wall Street out of touch with Main Street?

We hear analysts say, "Investors are getting excited about the economy reopening" or "Investors are excited there could be a treatment or vaccine".

We believe the major contributing factor is the huge, unprecedented stimulus the Federal Reserve has pushed into the system. This has never been done before to this level. The Federal Reserve has purchased approximately \$3 trillion in treasury bonds, corporate bonds and muni bonds in the past few months.



It is encouraging to see the economy reopening across America. People are going back to work.

The May jobs report showed an unexpected rise in the non-farm payroll jobs. On June 5th, the unemployment rate was expected to increase from 14.7% to 19%. Instead, it dropped to 13.3%, reflecting people across America are going back to work.

Some areas of the economy (travel, sports, and that area of the stock market. It is already moving on signs of life.

While some analysts are predicting the economic recovery will be V shaped, Vanguard for example predicts a much slower recovery. See the chart below on their view of GDP recovery in phases.



If the stock market reaches the level it was at before the pandemic when the economy had 3.5% unemployment and a strong economy, that leads us to believe that the stock market is currently overvalued. If that is the case, then possible scenarios are:

- The Federal Reserve continues putting these large amounts of money into the market to keep the market up for as many months as necessary until the economy fully recovers
- or
- The stock market comes down to be more in line with a much weaker but recovering economy.

Which scenario will prevail? It is impossible to say, maybe it is a combination of both. But we will be keeping a close eye on the economy and the impact it may have on the stock market.

Professional Sports, Theme Parks, Cruise Lines, Las Vegas, Caribbean

Because of the large crowds involved, some of the most challenging aspects of society to reopen are professional sports, theme parks, cruise lines and Las Vegas. We have been keeping a close watch on these areas as a measure of where the process stands for the reopening of America.

Here are a few highlights from the past week:

- The NBA's Board of Governors approved a plan on Thursday, June 4, 2020, to resume the season in Orlando with a 22-team format that includes the teams with the best regular season records. The Golden State Warriors will not be one of the teams to continue playing as they had one of the worst records in the league. The games will be played at Walt Disney World at the ESPN Wide World of Sports Complex. The regular season will resume on July 31, with the NBA finals to occur in early-to-mid October. The postseason will follow its standard best-of-seven format. The 2020 NBA draft is currently scheduled for October 15. The current plan is for the 2020-2021 regular season to begin on December 1.
- The MLS owners and players union ratified an agreement to return to play, starting with a tournament. Play will begin with a month-long TV tournament at the Wide World of Sports Complex at Walt Disney World in Orlando in July. The hope is to have a regular season after the tournament, but the details have not been determined.
- MLB players and owners are continuing negotiations to resume play. The players proposal was for a 114-game schedule with no additional salary cuts. Management is proposing a 50-game schedule, which would give players about 30% of their normal salaries. This reduced salary would reflect the reduction of games played and the loss of revenue from no fans in the stands.
- The NHL announced that it will return with 24 teams to compete for the Stanley Cup. The Qualifying Round and Seeding Round Robin are expected to be held in two hub cities, which have not yet been identified. The plan is to be playing games over the summer and into the early fall. The local San Jose Sharks will not be among the teams that will continue playing.
- Universal Studios had their plan approved in Florida last week to begin a phased opening of their theme parks in early June.
- Disney confirmed their plans for reopening Walt Disney World. The Magic Kingdom and Animal Kingdom will open on July 11 and Hollywood Studios and Epcot will reopen on July 15.
- Royal Caribbean and Norwegian cruise lines joined the previous announcement from Carnival to cancel all cruises in June and July. This puts them in alignment with the CDC order to ban all cruises with 500 or more people until July 24. Currently Royal Caribbean, Norwegian and Carnival all are planning for cruises to start on August 1, but this can only happen if it is approved by the CDC.
- Norwegian Cruise Line announced their enhanced protocols and procedures they have established with the CDC for when they resume sailing. So far there is no mention of passengers having to wear masks at any time.
- American Cruise Lines, whose ships are smaller than 500 passengers, and thus not regulated by the CDC, is planning for a limited resumption of sailings on U.S. waterways beginning on June 20.
- Canada extended the no cruise order from July 31 to October 31, 2020. That essentially ends the cruise season for the rest of 2020 in Canada because there are not any cruises in Canada after October 31.
- Las Vegas reopened casinos on June 4. Employees were wearing masks, but most guests were not. Videos of guests showed that little social distancing was occurring.
- In the first week of June, St. Thomas, Antigua, and Lucia plan to welcome American tourists back to their islands.

New Covid-19 Resource Page

As another reminder, we launched our new [COVID-19 resource page](#). We hope you have had a chance to check it out. Please give us your feedback on what you think it and if you have ideas on how we can improve it.

With the coronavirus, the news is changing daily. We work hard to stay up to date on news to understand how this could affect the economy, the stock market, and present investment opportunities.

Our COVID-19 Resources page can help you stay up to date with our curated references to government data and policies as well as our journal of weekly emails chronicling our shared experience.

Where Do We Go from Here?

We encourage everyone to get out, enjoy the areas where you live, while still staying safe and following the guidelines of your county. Remember to take photos during the fun and send your best photos to us to enter in the summer photo contest.

We hope you enjoy the weekend. If there is anything we can do to help, or you just want to talk, [give us a call](#).

We hope everyone stays healthy and safe.

Elaine, Scott and Linda



arielle@financialjourney.com
408-963-2858

Financial Journey Partners

<http://www.financialjourney.com/>



Investment advisory services offered through Mutual Advisors, LLC DBA Financial Journey Partners, an SEC Registered Investment Adviser. Securities offered through Mutual Securities, Inc., Member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies.

CFPA, CERTIFIED FINANCIAL PLANNER™ and CFP® (with finance logo) are certification marks owned by the Certified Financial Planner Board of Standards, Inc. These marks are awarded to individuals who successfully complete the CFP Board's initial and ongoing certification requirements.

This informational email is an advertisement and you may opt out of receiving future emails. To opt out, please click the "Unsubscribe" link below.

This message was sent by Financial Journey Partners
408-963-2858
101 Metro Drive
Suite 204
San Jose, CA 95110

[Unsubscribe](#)