WRIGHT
INVESTORS' SERVICE, INC.

Monthly Investment Report

August 2020

<u>SUMMARY</u>: Stock prices rose for the fourth straight month in July as the global economy continued to reopen, with the recovery showing promising signs of a V-shaped rebound. Pent-up demand is driving big-ticket purchases, including homes and autos, even as consumers are saving more, which bodes well for future capital investments. While Washington lawmakers haggle over details of the next stimulus, the markets remain supported by the Federal Reserve's aggressive monetary policy.

U.S. stocks rose for the fourth straight month as the economy reopened, despite new outbreaks of the coronavirus. NASDAQ was once again the best performing index, climbing 6.9% in July to increase its year-to-date return to 20.4%. The S&P 500 gained 5.6% to push it into positive territory for the year with a 2.4% return, while the Dow Jones Industrial Average continued to lag the other two indexes with a 2.5% return, remaining in the red by 6.1% through seven months. Smaller cap stocks also had positive returns last month but remain negative for the year-to-date. The S&P 400 Mid-Cap index returned 4.6% in July to reduce its 2020 loss to 8.8%, while the S&P 600 Small-Cap index gained 4.1% but is still down 14.5% for the year.

Ten of the eleven sectors of the S&P 500 had positive returns in July. Consumer discretionary stocks were the best performers, returning 9.0% to boost their year-to-date return to 16.9%, which makes them the second-best performing category for the year so far. Information technology stocks remained the best performing sector for the year to date at 21.4% after adding 5.6% in July. Utility stocks, which have trailed the market most of this year, bounced back in July with a 7.8% gain to reduce their year-to-date loss to 4.2%. Energy stocks were the only sector to produce negative returns last month, falling 5.1% to lower their 2020 return to negative 38.7%.

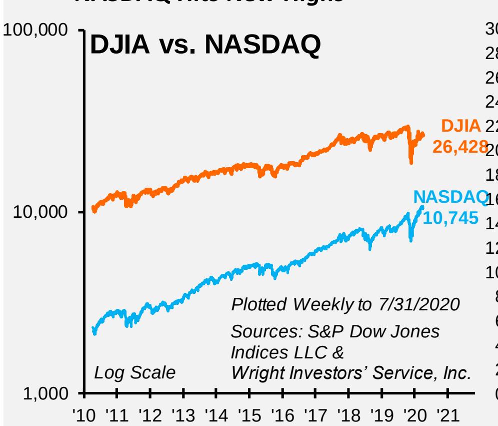
Foreign stocks also had positive dollar returns in July, boosted by weaker U.S. dollar, which fell against most of the major currencies. The greenback fell 5.2% against the U.K. pound, 4.6% against the euro, and 3.6% against the Swiss franc. Chinese stocks were the best performers outside the U.S. with a 9.4% return in dollar terms, followed closely by emerging markets, which gained 8.9%. Eurozone stocks returned 4.6% while Japanese stocks fell 1.6%, one of the few foreign equity markets to post negative returns last month. Chinese stocks have returned 13.3% so far this year, making them one of the best performing markets in 2020; most of the other major equity markets outside the U.S. have produced negative returns this year.

Foreign bonds, in dollar terms, largely outperformed their U.S. counterparts in July, again partially due to the weaker dollar. The Bloomberg Barclays Global Aggregate ex-U.S. index returned 4.4% last month, beating the Bloomberg Barclays U.S. Aggregate, which returned 1.5%. However, the U.S. Aggregate is up year-to-date, 7.7% outperforming foreign bonds by 2.6%. In the U.S., high-yield bonds had a good month, returning 4.7%, while corporate bonds returned 3.1%. Investors continued to drive gold higher, with the metal gaining another 9.0% to increase its return to 28.9% so far this year.

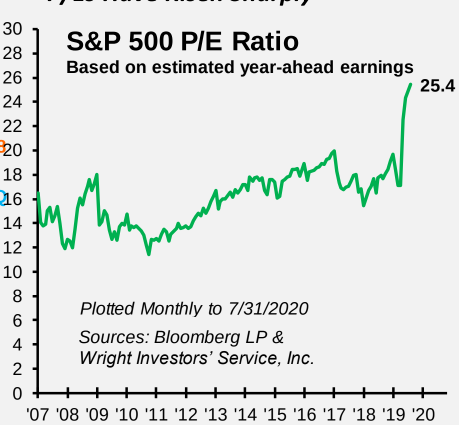
U.S. ECONOMY

The U.S. economy recorded its biggest quarterly drop in the second quarter, but the rebound appears to be on track despite an increase in coronavirus cases in some parts of the country. GDP contracted, as expected, at a record annualized rate of 32.9% in the second quarter, although lower than consensus, and relatively better than the eurozone GDP, which dropped more than 40%. But the latter half of the quarter showed strong growth. The Conference Board's index of leading economic indicators rose 2.0% in June after climbing an upwardly revised 3.2% the prior month. Industrial production rose a better than expected 5.4% in June while durable goods orders rose 7.3%, propelled by an 85.7% jump in motor vehicles and parts. Core capital goods, a proxy for business investment, gained 3.3%, more

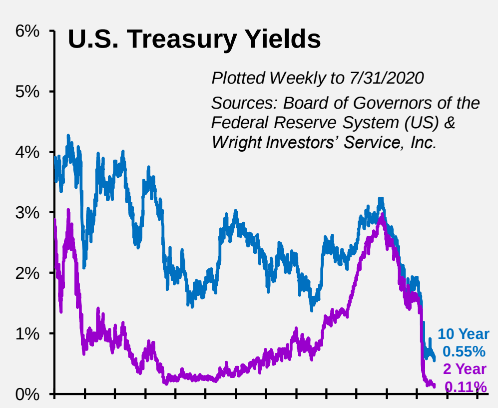
NASDAQ Hits New Highs



P/Es Have Risen Sharply



2 & 10 Year: Yield Curve Is Flat



than double the prior month's 1.6% increase. That momentum appeared to be moving into the third quarter based on early indicators. The Institute for Supply Management's manufacturing index, for example, remained in expansion territory for the third straight month, rising an unexpectedly strong 1.6 points in July to 54.2 from 52.6 in June.

While many worries about the economy remain, consumers are making up for lost time. Retail sales jumped another 7.5% in June, well above consensus estimates, while consumer spending, a broader category, climbed 5.6% despite a 1.1% decline in personal incomes, largely due to the expiration of some government stimulus programs. Nevertheless, concerns persist, as evidenced by the nearly six-point drop in both the Conference Board's consumer confidence index to 92.6 in July from 98.3 and the University of Michigan's consumer sentiment index to 72.5 from 78.1. Weekly jobless claims appear to have plateaued at about 1.4 million. After gaining 2.7 million jobs in May and 4.8 million in June, nonfarm payrolls are expected to add another two million in July, with the unemployment rate projected to decline to 10.5% from June's 11.1% rate.

One of the brightest spots of the economy has been the housing market, largely due to pent-up demand and record low interests, with the rate on a 30-year fixed-rate mortgage falling below 3% last month for the first time ever. Sales of existing homes jumped a record 20.7% in June to an annual rate of 4.72 million, although that's 11.3% below the year-ago figure. Likewise, pending home sales, an indicator of future sales, rose another 16.6% after soaring by more than 44% in May. At the same time, home prices remain firm, with the median price of a single-family home climbing another 3.5% to $295,300. Meanwhile, sales of newly-built homes rose 13.8% to an annualized rate of 776,000, a nearly 13-year high.

INVESTMENT OUTLOOK

While we believe U.S. monetary policy will remain fairly predictable, with the Fed pledging to do "whatever it takes" to support the economy, the same can't be said of fiscal policy, where lawmakers were still wrestling with another round of stimulus and financial aid. As July ended, so did many of the programs enacted by the federal government to help consumers and small businesses, such as the $600 a week jobless bonus and loan forbearances. As we went to press, Republicans and Democrats were at an impasse on how best to proceed going forward. However, we're confident the two sides will reach a resolution since so much is at stake.

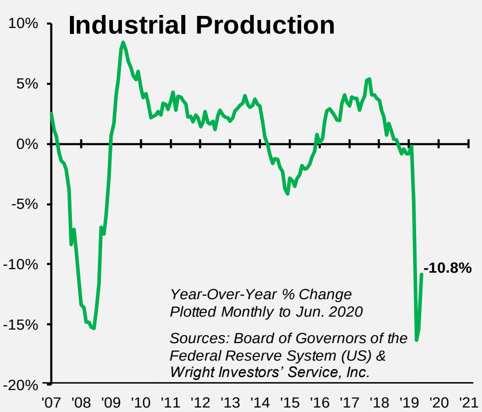
Of course, the biggest threat to the economy and asset prices remains the trajectory of the pandemic. "The path of the economy will depend significantly on the course of the virus," the Fed said following its July monetary policy meeting. While recent economic reports indicate that the worst of the economic damage is over, the recent uptick in Covid-19 cases in several states should give us pause. However, it is encouraging, based on the number of vaccine trials globally, that a cure may be available sooner than the market expects. This, we believe, is likely to provide a further boost to investor confidence and allow global economies to continue to heal. In the meantime, investors would be well advised to stay focused on fundamentally sound investments with an eye towards their long-term investment goals.

Total Investment Returns — 7/31/2020

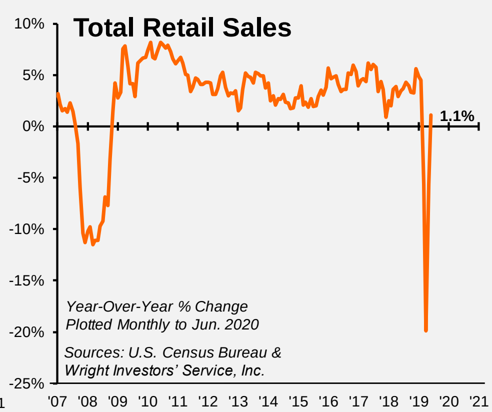
	July	Last 12 Mos.
Dow Jones Industrial Average	2.5%	0.8%
Nasdaq Composite	6.9%	32.8%
S&P 500 Composite	5.6%	12.0%
S&P MidCap 400	4.6%	-3.5%
S&P SmallCap 600	4.1%	-8.7%
MSCI World ($)	4.8%	7.2%
MSCI World ex U.S. ($)	2.7%	-1.7%
Bloomberg Barclays U.S. Aggregate	1.5%	10.1%
90-Day Treasury Bills	0.0%	1.5%
Consumer Price Index NSA* (Jun 2020)	0.5%	0.6%

*NSA: Not Seasonally Adjusted Sources: Bloomberg LP & Wright Investors' Service, Inc.

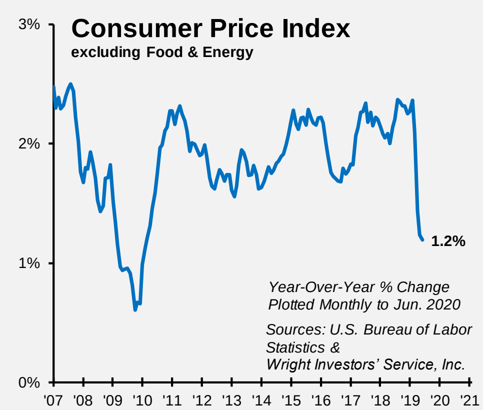
Manufacturing: Comes to a Halt



Consumer Spending: Slowly Rebounds



Core Inflation: Falls Below 2%



Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.