

## Market Update – Spring Awakening after the Great Cessation – June 5, 2020

**“No matter how long the Winter,  
Spring is sure to follow”**

The past few months have been tough on all of us in different ways. Our Procyon Investment Committee offers you this reflection on May’s market performance as we continue to navigate this extended period of uncertainty together. Just as the seasons inevitably change, we are confident that our economic and financial future will be bright, even if the path to realizing that future remains uncertain, long, and windy.

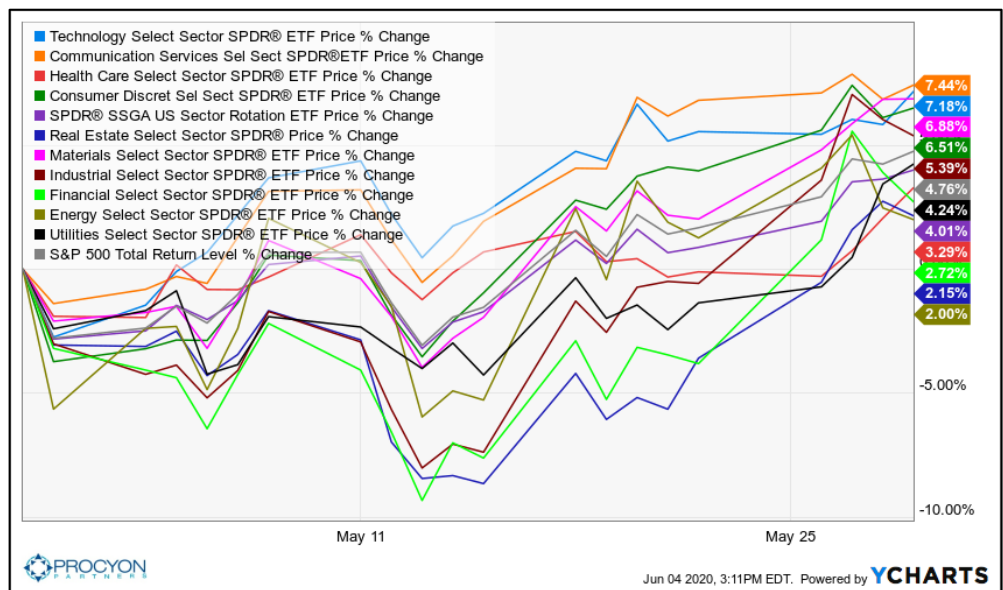
Prior to May, we experienced a roller coaster of market activity. All the good financial news stopped suddenly in March with the economic shutdown initiated due to dynamic, incomplete, and inconsistent information about COVID-19. In April, markets experienced positive performance while over 30 million Americans claimed unemployment, government relief programs took longer than hoped to receive funding, and the healthcare system was inundated with patients. May has provided us with continually improving financial performance, combined with an abundance of data that is illustrating incremental progress in addressing the health care crisis. Albeit while varying policy responses around how to safely reactivate the economy are implemented differently by individual states.

In May, the domestic stock markets continued to outpace the international markets with the S&P 500 returning +4.76% for the month and currently down -4.97% for the year, and the MSCI EAFE (developed international) return +4.35% for the month and down -14.26% for the year. Emerging markets bring up the back of the pack with a return of +0.77% for the month and -15.96% for the year. The best

performing S&P500 sectors for the month were communication services, tech, and materials; tech, healthcare and communications services currently lead the S&P 500 for the year.

While the market returns have been very strong during this time, we need to be cognizant that a small number of firms have been influencing the index returns. For example, the dispersion between the best and worst performing sectors for the year are technology returning +6.87% versus energy, returning -35.44%. While we do expect sectors to rotate as the economic cycle grinds forward, this dispersion nonetheless highlights stress in the economy. The greater the number of sectors and firms doing well in the market, the better the overall breadth is which represents a more efficient distribution of resources in the economy.

Towards the end of May we did begin to see a slight shift away from “stay-at-home” themed stocks, as the breadth of the market rebound expanded, and value-oriented stocks started to close the gap versus their growth-oriented counterparts. An uptick in demand for energy, as well as decreased supply, helped the energy sector lead performance as lockdowns ease and normal activities slowly begin to resume.



### **Awakenings:**

Just as we have enjoyed seeing the sun come out and the buds turn to leaves and flowers, we have been closely monitoring the core economy as the markets begin to take root and blossom again. Our Investment Committee is also observing how our base case scenario for re-opening is panning out; we expected waves of re-opening and some political drag on future stimulus. Now that all 50 states have initiated their own paths to renewed economic and financial activities, we are watching both the health impacts as well as the economic and financial consequences. While many different vaccines are being developed to address COVID-19 more sustainably, the central bank continues to be committed to ample liquidity across the market. The Federal Reserve also continues to move away from the idea of imposing negative interest rates for a variety of reasons.

### **Future Focus:**

As we look forward, we believe that several interdependent factors will contribute to the

uncertainty and the potentially long and windy path forward. Factors such as reopening efforts, vaccine development, and the labor market recovery. Recent unsettling news involving law enforcement and resulting civil unrest in many communities across the country also creates added risk given the evolving pandemic in the backdrop.

In addition, we are now five months from the US elections with the inevitable rise of tensions. Facilitating a smooth presidential election in a country that is highly divided politically, with its citizenry further stressed due to the current health, social, and economic conditions will be a challenge to say the least.

Considering all of this, we remain confident that while the immediate road to financial strength and success may be bumpy, the long-term map for the journey remains intact. While few people enjoy these times of extreme challenge, our Procyon Team remains steadfast in its commitment to helping you achieve your financial goals. We are always by your virtual side.

### **IMPORTANT DISCLAIMERS AND DISCLOSURES:**

This presentation is for illustrative purposes only. Past performance is not indicative of future results. The information contained in this presentation has been gathered from sources we believe to be reliable, but we do not guarantee the accuracy or completeness of such information, and we assume no liability for damages resulting from or arising out of the use of such information.

The views expressed in the referenced materials are subject to change based on market and other conditions. This document may contain certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur. The information provided herein does not constitute investment advice and is not a solicitation to buy or sell securities.

Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, investment model, or products, including the investments, investment strategies or investment themes referenced herein, will be profitable, equal any corresponding indicated historical performance level(s), be suitable for a particular portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions.

Please note that nothing in this content should be construed as an offer to sell or the solicitation of an offer to purchase an interest in any security or separate account. Nothing is intended to be, and you should not consider anything to be direct investment, accounting, tax, or legal advice to any one investor. Consult with an accountant or attorney regarding individual accounting, tax, or legal advice. No advice may be rendered unless a client service agreement is in place.

Procyon Private Wealth Partners, LLC and Procyon Institutional Partners, LLC (collectively "Procyon Partners") are registered investment advisors with the U.S. Securities and Exchange Commission ("SEC"). This report is provided for informational purposes only and for the intended recipient[s] only. This report is derived from numerous sources, which are believed to be reliable, but not audited by Procyon for accuracy. This report may also include opinions and forward-looking statements which may not come to pass. Information is at a point in time and subject to change.