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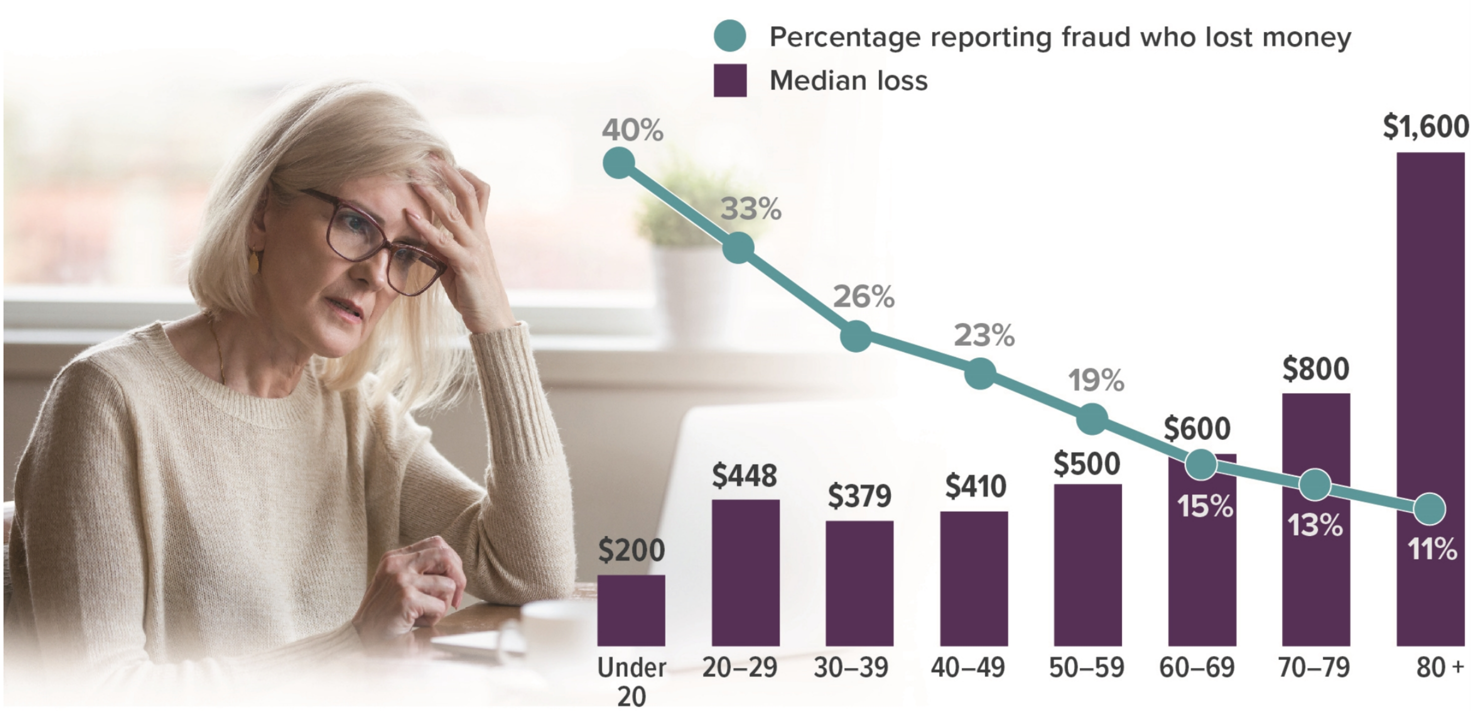
Please make sure to read John Stewart's article "Not Out of the Woods Yet" on the COVID-19 Impact below.

Skeptical Yet Vulnerable

Older people who encounter fraud are less likely to lose money than younger people, but those who do lose money tend to have higher losses. The Federal Trade Commission received almost 1.7 million fraud reports in 2019, and about half of reports included consumer age information. This chart shows the percentage of those who reported a fraud loss and their median loss, by age group.



Source: Federal Trade Commission, 2020

Not Out of the Woods Yet

As I have stated for the past couple of months in this space, the biggest risk to the markets as we move forward would be a secondary surge in COVID-related issues and the possibility of further restrictions on economic activity in an effort to curb the spread of the virus. I suppose this is an obvious statement to make, but the equity market had come to reflect little concern for this risk as the S&P 500 index rose nearly 45% between its March 23rd low and its recent high on June 8th. At that point, the index was actually HIGHER than where it had started the year. This is almost inconceivable given what has transpired so far this year. It is certainly debatable whether or not the data support the assertion that there is a “second wave” occurring in COVID cases at this point; however perception can shape reality, and if political leaders make decisions to impose further restrictions on economic activity just as businesses have begun to reopen then the consequences could be meaningful for both the markets and the real economy.

If the COVID pandemic were the only issue facing the markets that would certainly be enough for investors to worry about in positioning their portfolios to properly manage risk. Nevertheless, civil unrest continues to create further concern of how a breakdown in the social fabric of the country could ultimately impact the economic future as well. The potential change in the structure of governmental leadership this coming fall presents yet another risk factor that investors must weigh considering the possibility of dramatic shifts in public policy regarding business regulation, taxation, and government spending. While there is significant disagreement on the appropriate path forward, the potential for further market volatility is certainly likely over the next several months. Without risk, however, there would be little opportunity.

Trying to predict future events is usually a fool’s errand, but while we don’t know with any degree of certainty the path forward for COVID, civil unrest, or the November elections, the stage is likely set for gradually building inflationary pressures regardless of how these events unfold. We have stressed this fact, and the reasons for it, multiple times in recent commentaries. Suffice it to say that not only are all those factors still in place (driven primarily by fiscal and monetary policy), but they have become even more acute of late. The markets have begun to wake up to the possibility of inflation as a risk going forward as well. Inflation-Protected Treasuries, or TIPS, have outperformed plain-vanilla Treasuries by 2.5% in the past month. Other inflation hedges like commodities and real estate are up 10% and 14% in the past month, respectively, versus 7% for the S&P 500 index. Lastly, the U.S. dollar has come under significant pressure in recent weeks, and is down more than 5% since its peak in late March.

We have been recommending that investors position their portfolios to both protect against and benefit from the possibility of inflation going forward. It’s likely to be a bumpy ride for the foreseeable future, but long-term investors will have plenty of opportunities to take advantage of volatility to grow their wealth in real terms through appropriate diversification and prudent risk management.

Vaccine on the Way . . . ?

The stock market continues to show resilience in the face of dire economic data. How is this possible? For one, the stock market is forward looking, and it is already expecting a gradual improvement in the economy and corporate earnings as we move into the second half of 2020. This is not an unreasonable expectation, as the growth rates in COVID cases and deaths continue to decline and more businesses are allowed to reopen their doors each week. In addition, there have been reports of promising results out of early-stage trials for a coronavirus vaccine. Nothing would be more helpful in getting equity markets back to new highs than the promise of being able to return to life as we knew it pre-COVID – something that a vaccine is likely to provide on a faster timeline.

The good news is that the worst news is likely behind us at this point. Nevertheless, U.S. equities are now quite expensive relative to most measures of value based on high expectations for a strong recovery in the coming quarters. Growth stocks have become especially expensive on most any valuation metric. This makes sense due to the defensive nature of growth assets, along with the fact that many of the companies in this group have been the least exposed (or have even benefitted) to coronavirus risks – think technology and e-commerce. Despite the temptation to concentrate portfolios in stocks like Amazon and Netflix, investors would be wise to continue to keep portfolios well-diversified among various types of equity and fixed income investments in spite of extremely low yields on the latter. Additionally, some exposure to alternative asset classes like commodities and real estate is warranted.

It has become especially challenging to assess the impact, and the potential for unintended consequences, of the massive monetary and fiscal policy response to the pandemic. Thanks to the U.S. Federal Reserve, money supply growth recently hit a new all-time high. The federal government has added trillions of dollars in stimulus spending and is talking about trillions more. While the U.S. is in a unique position to execute upon these initiatives because of the U.S. dollar’s position as the most prominent global reserve currency, our capacity for profligacy is not unlimited. Extreme action may have been necessary to fight the current downturn, but the cost will likely be paid in higher taxes, higher inflation, and a diminished ability to spend going forward. The most important question for investors to answer now is how the cost will be allocated among the three aforementioned items. Stay tuned.

Telemedicine: The Virtual Doctor Will See You Now

Widespread smartphone use, loosening regulations, and employers seeking health cost savings are three trends that have been driving the rapid expansion of telemedicine. And that was before social distancing guidelines to help control the spread of COVID-19 made the availability of remote medical care more vital than anyone anticipated.

Easy Interaction with Health Professionals

Telemedicine offers a way for patients to interact with doctors or nurses through a website or mobile app using a secure audio or video connection.

Patients have immediate access to advice and treatment any time of the day or night, while avoiding unnecessary and costly emergency room visits. And health providers have the ability to bill for consultations and other services provided from a distance.

Telemedicine can be used to treat minor health problems such as allergies and rashes, or for an urgent condition such as a high fever. It also makes it easier to access therapy for mental health issues such as depression and anxiety.

In other cases, doctors can remotely monitor the vital signs of patients with chronic conditions, or follow up with patients after a hospital discharge. Telemedicine can also fill gaps in the availability of specialty care, especially in rural areas.

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Offered by Many Health Plans

In 2019, nearly nine out of 10 large employers (500 or more employees) offered telemedicine programs in their benefit packages, but many workers had not tried them out.

Only 9% of eligible employees utilized telemedicine services in 2018 (the most recent year for which data is available), even though virtual consultations often have lower copays and are generally less expensive than in-person office visits, especially for those with high deductibles.[1]

If your health plan includes telemedicine services, you might take a closer look at the details, download the app, and/or register for an online account. This way, you'll be ready to log in quickly the next time your family faces a medical problem.

1) Mercer National Survey of Employer-Sponsored Health Plans, 2019