Quarterly Market Outlook

July 2020

The Global Economy Reopens

During the second quarter, the global economy began a long road to recovery as countries around the world eased the strict lockdowns instituted in response to the COVID-19 pandemic. US retail sales jumped by over 20% in May and June (the biggest two-month rise on record), retracing the historic drop in March and April as consumers benefitted from a strong rebound in job growth and generous unemployment benefits.[1]

Government Stimulus Reaches Unprecedented Levels

Governments around the world have signaled a willingness to do whatever it takes to support their economies, as global central bank balance sheets have increased by over $5 trillion in just the past 4 months. The largest contributor was the US Federal Reserve which has expanded its balance sheet by over $3 trillion this year, roughly equivalent to the increase over the prior 12 years.[2] Central bank asset purchases have served to ease financial conditions (through purchases of Treasury and corporate bonds) and helped to finance direct transfers to individuals (through unemployment benefits) and businesses (through the Paycheck Protection Program).

Historic Market Rally

Cheered by the record levels of stimulus and improving economic activity, equity and credit markets staged a breathtaking recovery in the second quarter. After falling over 30% in February/March, the S&P 500 experienced its strongest 50-day rally in history, appreciating 37.7% from its March 23rd lows.[3] Remarkably, as of July 24, 2020, the S&P 500 is now positive on the year.[4]

Massive Outperformance of Growth vs. Value

Underlying the market strength is a massive performance disparity between growth and value equities, with the Russell 1000 Growth Index outperforming Russell 1000 Value by 26% YTD, the largest 6-month outperformance since the Tech Bubble in 1999.[5] Many of the growth names are cloud-based technology companies that have gained market share in the COVID-oriented economy, while many value names are in sectors such as energy, retail, and travel which have been most directly disrupted by COVID.

Gold Reaches an All-Time High

We view gold as a currency, a role it has played for thousands of years. In a world where nearly every central bank is dramatically increasing the supply of paper money, gold, which has a finite supply, may stand to benefit. Additionally, the 0% yield on gold is now higher than the yield on many currencies like the euro, Japanese yen and Swiss franc. Accordingly, gold is up over 17% YTD and just reached an all-time high in July.[6] With Modern Monetary Theory (i.e., print and spend policies) now accepted as central bank doctrine, we believe gold should be a significant part of every investor's portfolio.

[1] Source: Advance Retail Sales, U.S. Census Bureau.
[2] Source: Havar Analytics.
[3] Source: LPL Financial. Bloomberg, S&P 500 Index, 3/23/20 – 6/02/20.
[4] Source: Bloomberg, S&P 500 Index (+0.61%) from 12/31/19 – 7/24/20.
[5] Source: Bloomberg, Russell 1000 Growth Index (+9.8%), Russell 1000 Value Index (-16.3%), 12/31/19 – 6/30/20.
[6] Source: Bloomberg, change in spot price of gold (BB: XAU), +17.4% from 12/31/19 through 6/30/20.

10635 Santa Monica Blvd. Suite 240, Los Angeles CA 90025 | T 424.283.3800 | F 424.283.3899 | www.EvokeAdvisors.com

COVID-19 is Likely to Remain a Drag on Growth

Confirmed global cases of COVID-19 have now exceeded 16 million with nearly 650 thousand deaths.[7] Several Asian and European countries have been successful at significantly reducing virus spread through a range of efforts including wearing masks, contact tracing and targeted quarantines, but a number of prominent countries – most notably the US, Brazil, Mexico, India and Russia – are seeing a rapid escalation of cases. Given the challenges of containing the virus and the lack of effective treatments/vaccines, we expect the pandemic to remain a significant drag on growth, particularly in countries that are experiencing large outbreaks.

US Presidential Election

Joe Biden has officially been named the Democratic nominee for the presidency. With many Americans disapproving of President Trump's handling of the virus and the Black Lives Matter protests, Mr. Biden is now leading by a healthy margin in both the polls and betting markets.[8] It is still early in the election cycle and much can change over the coming months. We expect the polarization of American politics to be on full display and would not be surprised to see contested results given the challenges of running an election during a pandemic (candidates have already made unsubstantiated claims about fraudulent mail-in ballots).

Wide Range of Potential Outcomes

This unique confluence of forces – an economic collapse of unknown duration, unprecedented government stimulus, and increasing political uncertainty – is driving an extraordinarily wide range of potential outcomes. We believe that holding a well-diversified portfolio is critical to meeting investment objectives against this highly uncertain backdrop.

[7] Source: WorldoMeter, 7/25/20, https://www.worldometers.info/coronavirus/.
[8] Source: www.realclearpolitics.com, 7/24/20.

IMPORTANT INFORMATION

Past performance is not an indication of future results.

Advanced Research Investment Solutions, LLC ("ARIS") and Evoke Wealth, LLC ("Evoke Wealth") (collectively referred to hereinafter as "Evoke Advisors") are SEC-registered investment advisers that provide investment advisory services and investment consulting services to a select set of clients and pooled investment vehicles. None of Evoke Advisors' services are intended to represent a complete investment program.

This publication is for educational, illustrative and informational purposes only and does not represent investment advice or a recommendation of or as an offer or solicitation with respect to the purchase or sale of any particular security, strategy or investment product, or any Evoke Advisors investment product mentioned herein. Past performance is not indicative of future results.

Different types of investments involve varying degrees of risk, including possible loss of the principal amount invested. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Evoke Advisors), or any non-investment related content, will be profitable, equal any corresponding indicated historical performance level(s), be suitable for a client's portfolio or individual situation, or prove successful. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns.

This publication does not constitute, and should not be construed to constitute, an offer to sell, or a solicitation of any offer to buy, interests in any Evoke Advisors-sponsored fund, which can only be made by means of an offering memorandum and other governing documents for the respective fund.

This publication does not take into account your particular investment objectives, financial situation or needs, should not be construed as legal, tax, financial or other advice, and is not to be relied upon in making an investment or other decision.

Certain information contained herein constitutes forward-looking statements (including projections, targets, hypotheticals, ratios, estimates, returns, performance, opinions, activity and other events contained or referenced herein), which can be identified by the use of terms such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or other variations (or the negatives thereof) thereof. Due to various risks, assumptions, uncertainties and actual events, including those discussed herein and in the respective analyses, actual results, returns or performance may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making any investment decisions.

Certain information contained herein has been obtained or derived from unaffiliated third-party sources and, while Evoke Advisors believes this information to be reliable, neither Evoke Advisors nor any of its affiliates make any representation or warranty, express or implied, as to the accuracy, timeliness, sequence, adequacy or completeness of the information.

The information contained herein and the opinions expressed herein are those of Evoke Advisors as of the date of writing, are subject to change due to market conditions and without notice, and have not been approved or verified by the United States Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA"), or by any state securities authority.

This publication is not intended for redistribution or public use without Evoke Advisors' express written consent.