

# ON BALANCE



## July 2020

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Market watchers will agree that we continue to live in “interesting times.” The S&P 500 enjoyed an eye-popping rally, gaining close to 45% between a low of 2237.4 on March 23 and a high of 3232.39 on June 8. Given the economic dislocation engendered by the COVID-19 pandemic, unemployment at the highest level since the Great Depression, and the continuing uncertainty regarding our path back to normal, some observers wondered whether this recovery was a bit disconnected from reality. Following comments from Federal Reserve chair Jerome H. Powell that the depth of the downturn and pace of recovery remained “extraordinarily uncertain,” the market plunged again in the second week of June, dropping more than 6%. (All data from Standard & Poors)\*

Although the S&P 500 resumed an upward trajectory after this decline, circumstances continue to urge caution. COVID infections are increasing in excess of 5% daily in a number of states, and some, including Texas, Florida, and Arizona, are being particularly hard hit. This is a stark reminder that the first wave of the pandemic is not over, and the possibility of a second wave in the fall remains. The economy continued to contract in the second quarter, and it is difficult to predict what we can expect for Q3. Though it is good to remember that the economy and the stock market are NOT the same thing, and rarely move in lockstep and sometimes even in divergent directions.

What is clear is that we should not relax our vigilance in protecting our health or our finances. While social distancing and wearing a mask can help reduce the spread of infection, avoiding precipitous action and sticking to your financial plan can help keep your financial future on track.

Our first article this month shows how, over time, value stocks (one of the factors of return we focus on in many portfolios) still outperform growth. The next piece makes it clear that Apple isn't the first tech behemoth to dominate the market in terms of capitalization, and concentration is nothing new. This month we've also included a video clip for you, in which we learn how Bob, the world's worst market timer, prevails in the end. Our final two articles can help you decide whether to take advantage of the great travel deals on offer now and discuss how you can keep safe while traveling as well as some potential destinations.

We are committed to helping you and your family navigate this challenging time and work toward achieving your financial goals. We look forward to offering actionable advice that will help keep you on track to enjoy long-term financial security.

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## Articles of Interest



### When it's Value vs. Growth, History is on Value's Side

Historically, value stocks have outperformed growth stocks in the US, although that has not been the case recently. Periods of relative underperformance do emerge from time to time, but the principle remains that lower relative prices lead to higher expected returns over the long term. Almost a century's worth of data and academic research presented in this piece supports the long-term case for value.

*Source: Dimensional Fund Advisors*

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### Large and in Charge? Giant Firms atop Market is Nothing New

Ten stocks are responsible for more than 20% of total market capitalization and a tech behemoth is the company with the highest market capitalization. You're thinking of FAANG's aren't you, and Apple. But we're looking a little further back, to 1967, when IBM represented a larger portion of the market than Apple at the end of 2019 (5.8% vs. 4.1%). Learn why it's not unusual to see the market concentrated in a small number of stocks.

*Source: Dimensional Fund Advisors*

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### The World's Worst Market Timer Video

Bob is the world's worst market timer. Over the last five decades, he's invested his hard-earned money when markets were at all-time highs—right before major downturns. But he kept his money invested and despite his terrible timing, right through February of this year, he saw his portfolio almost quintuple (hypothetical example). Watch this animated 1:40 minute video and learn why patience and staying can make all the difference...even if you invest at the worst possible times.

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## Before You Take an Early Retirement Buyout, Complete This 6-Step Checklist

Companies in many industries have been hit hard by the COVID-19 pandemic, and they're looking for ways to cut costs in the face of weak demand and declining revenue. Early-retirement buyouts are a way some companies are looking to save money. If you're over 55, have worked for your company for more than ten years, or are a top earner, a buyout offer could be in the cards. But is this a wise financial choice? Here are some vital steps to consider in making the decision. If this is something you are facing or considering, I'd be happy to help you work through your options.

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## Travel Deals are Everywhere: Is it Worth the Risk?

While some of us have been quite content to enjoy an extended period at home, more restless souls are bursting to get out and go adventuring. There are some great deals available now. Hotels and resorts just coming back online are keen to attract visitors, while many airlines are offering special fares. But there are many aspects of travel to mull over before clicking on that "purchase fare" button. Cancellation policies and risk levels at your destination are just a few considerations.

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## From Day Trips to Finding a New Quarantine Spot, What Safe Summer Travel Looks Like in 2020

For some people, wanderlust is difficult to resist. Fortunately, it is possible to indulge a taste for travel again, although perhaps not on a Grand Tour scale. Restaurants are allowing outdoor seating, parks and beaches are opening, and there are finally places to go. Just because you can do something though, doesn't mean you should – at least not without some careful planning. Read more to find out how you can get out and about safely.

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## Wrapping it Up

If you have questions about any of these topics, financial planning or investments in

general, let us know. Also, please be sure to share this newsletter with anyone who might find it useful and informative.

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