



TRENDING TODAY

Bi-weekly
eNewsletter

7.31.2020

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POTHOLES IN THE REAR VIEW MIRROR, *SMOOTHER ROADS LIE AHEAD*



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Potholes in the Rear View Mirror, Smoother Roads Lie Ahead - Trending Today - 7.31.2020

Any concerns about the economic carnage seen in the rear view mirror were overshadowed again this morning by the hope and optimism of the economic recovery that is seen when looking out the front windshield.

Yesterday, we were not surprised to receive confirmation from the [U.S. Department of Commerce](#) that an economic contraction of *historic proportions* occurred in the second quarter of this year, as the coronavirus-induced shutdowns battered the United States economy:

Economic Report

U.S. economy plunges at titanic 32.9% rate in 2nd quarter and points to drawn-out recovery

Published: July 30, 2020 at 4:50 p.m. ET

By [Jeffrey Bartash](#)

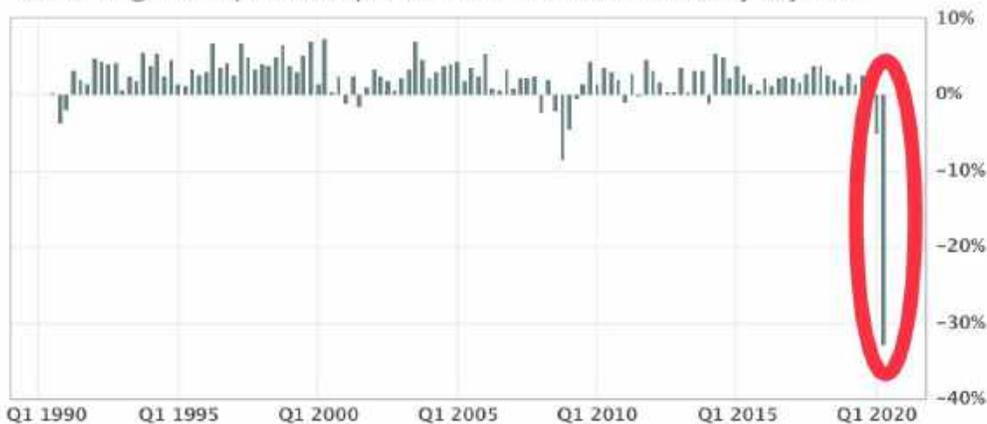
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Coronavirus triggers steepest recession since World War Two

Yes, the U.S. economy shrank by **one third** just in the second quarter alone. Here is a graphical depiction of this GDP plunge:

U.S. GDP plunges record 32.9% in second quarter

Real change from previous quarter at annual rate, seasonally adjusted

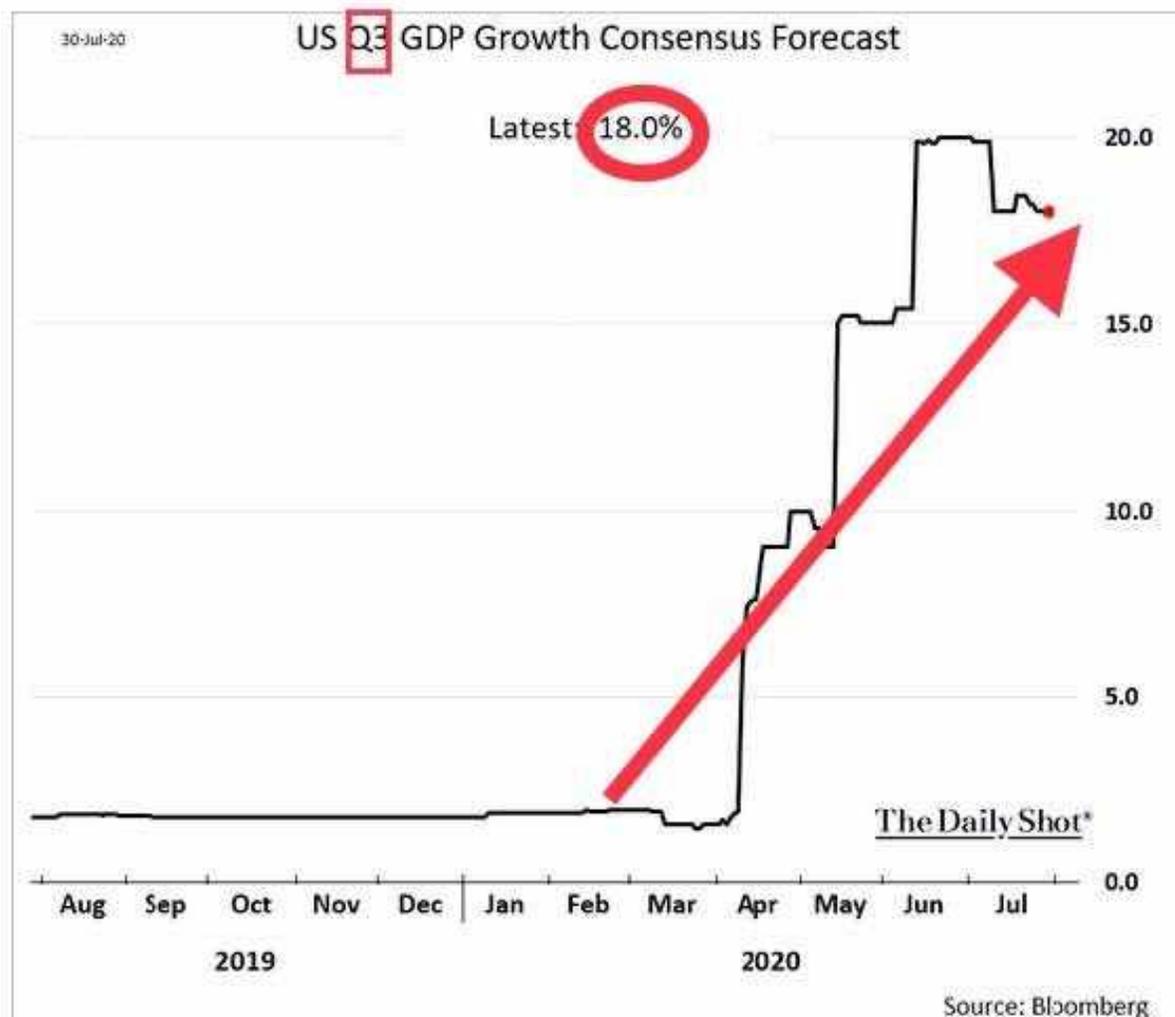


Source: Commerce Department via FRED

With a headline number this horrific, one might expect the financial markets to immediately tank, and panic to ensue, exacerbating the depth and darkness of the hole that our economy cratered into between April and June of this year. However, chaos, fear, and a huge selloff were anything but the case.

Three reasons why the economy tanked but the financial markets have recovered:

1. We are coming out of the crater, not driving into it (front windshield, not rear view mirror)
2. Demand for technology companies, and tech stocks, continues to explode
3. A large economic/GDP bounce back is expected in the third quarter:



[Facebook](#), [Amazon](#), [Apple](#), and Google ([Alphabet](#)) all reported their quarterly earnings results yesterday afternoon, and [all four companies beat already-high expectations](#). Facebook posted 11% revenue growth and issued stronger-than-expected sales guidance for the current quarter. Amazon's sales soared, and operating income nearly doubled compared with the big drop that analysts had expected. Apple easily exceeded sales and profit estimates, and [announced a 4-for-1 stock split](#). And Alphabet investors, while tolerating the company's first year-over-year decline in advertising revenue, had sales from its cloud-computing segment come in well above expectations.

Through yesterday, Amazon is up 61% and Apple is up 31% for the year (and both stocks appear set for additional gains based on trading so far today), while Facebook and Alphabet have both gained 14% so far in 2020. Truly a historic run for these tech behemoths.

We believe this outperformance should not come as a huge surprise, given the work-from-home trend the pandemic has advanced, further accelerating technology's leadership position; however, the pace, and scope, of this outperformance has certainly been noteworthy.

All is certainly not well for the U.S. economy - far from it. And while a full economic recovery is still a long way off (we do not expect an unemployment rate below 4% until at least 2023 or 2024), the economy is at least generally headed in a better direction. And, while assuming the recovery will be anything but a smooth ride, we are confident that we are driving away from the worst of it, and looking at a better road ahead.

Warren Buffett wise words

"For 240 years it's been a terrible mistake to bet against America, and now is no time to start"

"America's golden goose of commerce and innovation will continue to lay more and larger eggs." Berkshire shareholders letter March 2016





What's Happening at TPW?

For many people, spending time in Mother Nature has been a welcome respite during the COVID-19 lockdowns, and this has held true for several of us here at Towerpoint Wealth.



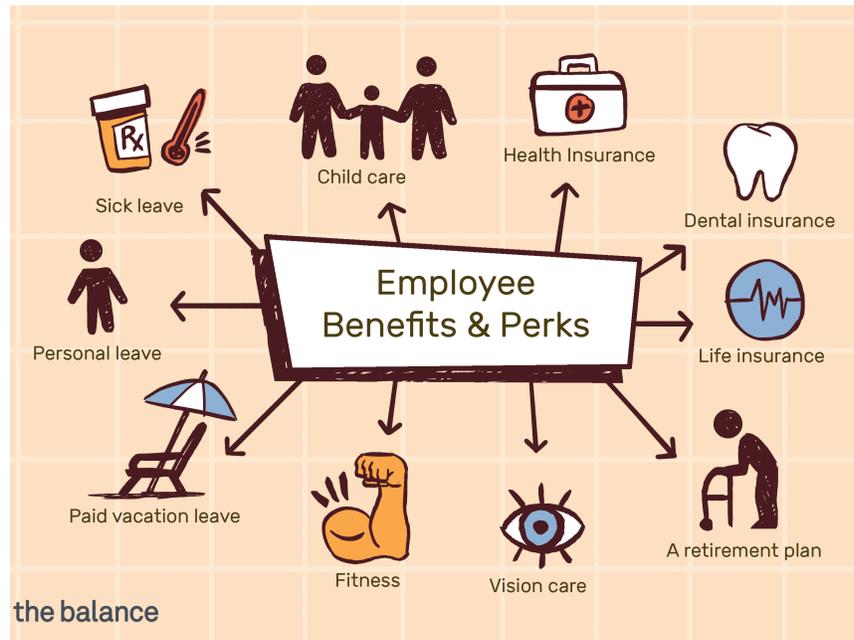
Left, Center: Our Partner, Wealth Manager, [Jonathan LaTurner](#), in the throes of enjoying a large dose of the great outdoors in [Mammoth Lakes](#), hiking and fly fishing on the [San Joaquin River](#) with his partner, [Katie McDonald](#).

Right: Our Director of Tax and Financial Planning, [Steve Pitchford](#), on an eight mile hike on the [Salmon Falls Bridge / Darrington Trail](#) in El Dorado Hills.

TPW Service Highlight

Are you eligible for a [401\(k\)](#), [403\(b\)](#), [457](#), [TSP](#), [profit sharing plan](#), or an employer-funded [defined benefit \(pension\) plan](#) through your employer? Do you have a [Roth option](#) available within your defined contribution retirement plan? Have you qualified for a single or multiple grants of restricted stock units ([RSUs](#)) or non-qualified stock options? Do you have an employee stock purchase plan ([ESPP](#)) available to you, perhaps offering a discount on shares of your employer's stock? Is [employer-sponsored \(group\) life insurance](#) and long-term care insurance part of your benefits offering?





We welcome working side-by-side with you to conduct a thorough deep-dive and audit of all of the various perks and benefits your employer offers. Analyzing, leveraging, and maximizing your employee benefits package could be one of the most impactful decisions you make in the service of your longer-term economic health, and we stand by ready to offer our counsel, expertise, and experience in this multi-faceted and oftentimes confusing area. Click [HERE](#) to find out more.

Graph of the Week

Investing in the stock market can be volatile. For this reason, we believe it is important to keep proper perspective when stocks rise or fall over shorter periods of time. History has shown that the odds of achieving a positive return are **dramatically increased** the longer the investment time horizon.

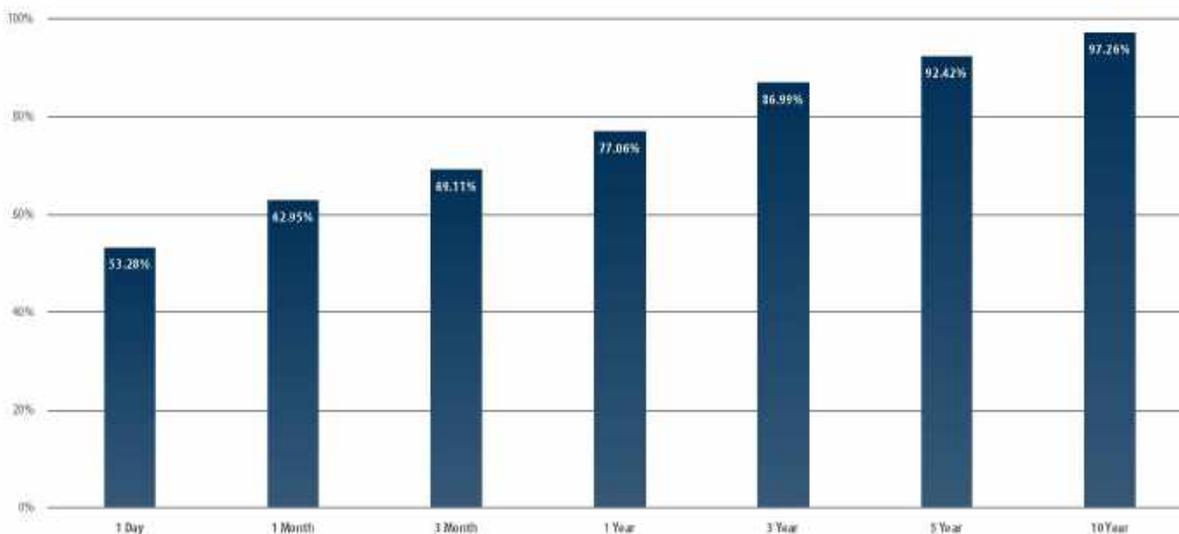
We think [First Trust's](#) illustration below does an excellent job of conveying this ideal.

Probability of Positive Returns

S&P 500 Index: 1937 – 2019



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Source: Bloomberg, 12/31/1999 through 12/31/2019.

Past performance is no guarantee of future results. This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. This chart is based on the total returns of the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The index cannot be purchased directly by investors.

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Trending Today

In addition to confirming it looks bad in the rear view mirror (and looking at the road ahead) and avoiding indoor recreation to spend time in nature, a number of trending and notable events have occurred over the past few weeks:

- [John Lewis, the final surviving "Big Six" civil rights icon and leader, and Georgia congressman, died on July 17 at the age of 80.](#)
- [While the split tail comet NEOWISE was closest to earth on July 23, you may still see it with your binoculars through the beginning of August](#)
- [A coronavirus outbreak causes Major League Baseball to put the Florida Marlins season on hold after 17 members of their traveling party test positive](#)
- [President Trump suggests a possible postponement of the 2020 US presidential election, even though any delay would have to be approved by Congress](#)

- [Three major storms are expected to make landfall in the United States and the Caribbean this weekend, including a rare one aiming for Honolulu](#)
- [The NBA restarted its suspended season last night in "the Bubble" in Orlando.](#)

As always, we sincerely value our relationships and partnerships with each of you, as well as your trust and confidence in us here at Towerpoint Wealth. We encourage you to reach out to us at any time (916-405-9140, info@towerpointwealth.com) with any questions, concerns, or needs you may have. The world continues to be an extremely complicated place, and we are here to help you properly plan for and make sense of it.

- Nathan, Raquel, Steve, Joseph, Lori, and Jonathan



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Towerpoint Wealth Original Content



"Coach K" Private Zoom Webinar

Our President, Joseph Eschleman, was invited to participate in a private Zoom teleconference yesterday with the one and only Mike "Coach K" Krzyzewski, head men's basketball coach at Duke...

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So much for saving money at home. While the COVID-19 shutdown may have slashed a few dollars in your morning commute or paused your daily latte addiction, a new report found that the coro...

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Parents, fearing their kids won't see the inside of a classroom this fall, are ginning up an alternative familiar to the Home Depot crowd; Do-it-yourself. Amid the pandemic, enterprising ...

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"Move Everything Outdoors" - NY Times Readers Respond

COVID-19 has forced many activities outside. The NY Times recently asked readers to tell us about innovative ways that people were moving activities outdoors, where the coronavirus sprea...

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