

HUGHES | FINANCIAL  
SERVICES, LLC



HUGHES | FINANCIAL  
SERVICES, LLC 



# HALFTIME REPORT:

---

## AN ECONOMIC & MARKET UPDATE



# PRESENTER



SCOTT HUGHES, CFP®, MBA  
Managing Partner & Financial Advisor

# ABOUT HUGHES FINANCIAL SERVICES



RIA

Independent  
Registered  
Investment  
Advisor



Comprehensive  
financial planning  
and wealth  
management



Fiduciary



Professional  
certifications  
and continuing  
education



Over 80 years  
combined  
experience



# U.S. STOCK MARKET PERFORMANCE

## S&P 500 Index (recent period)

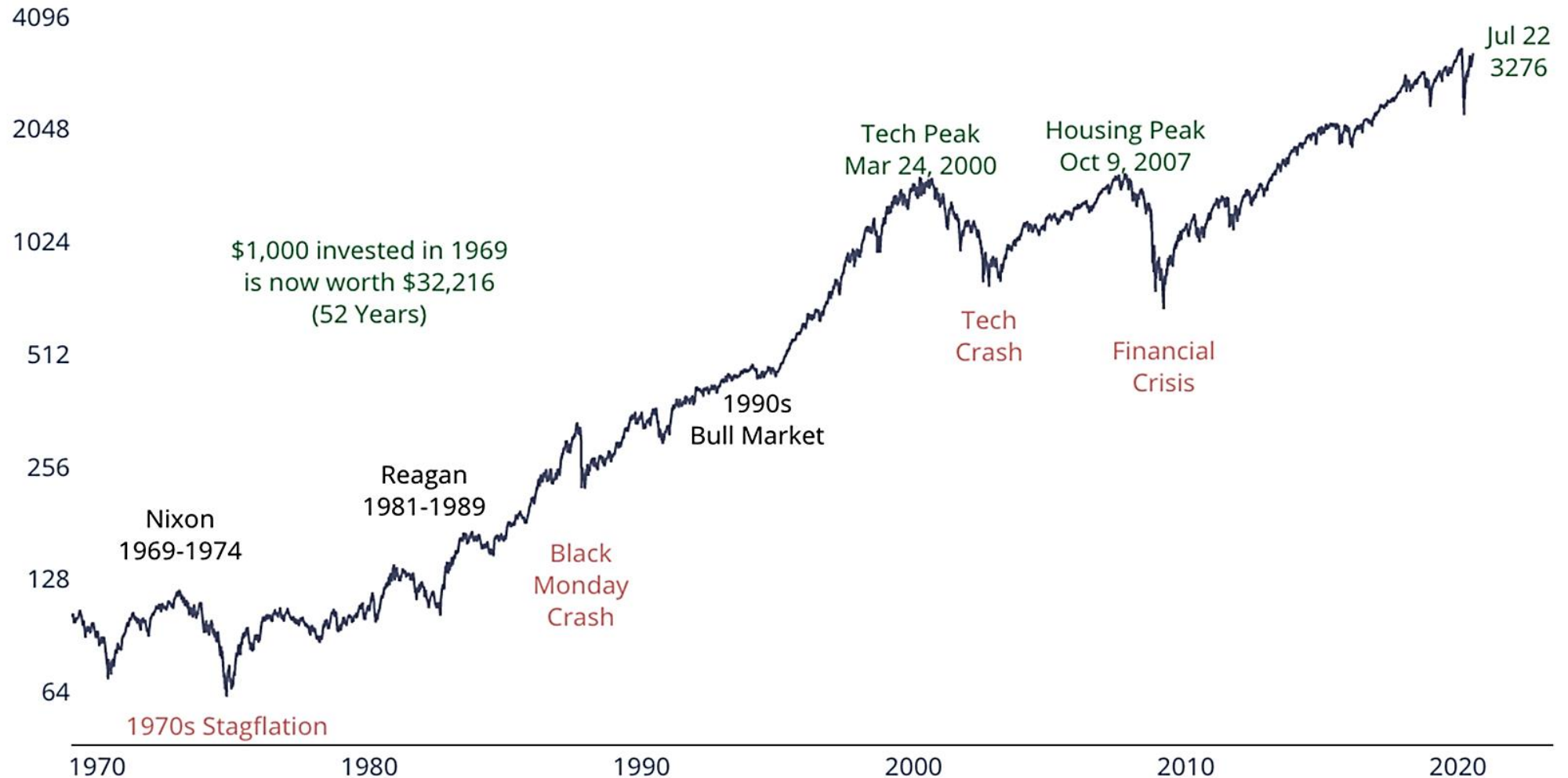
- 2019: stock market performed well
- Volatility because of COVID-19
- Increased uncertainty due to health/economic issues
- Long-term investors: maintain proper perspective, look past short-term volatility



# STOCK MARKET CYCLES

## S&P 500 Index Over Past 50 Years

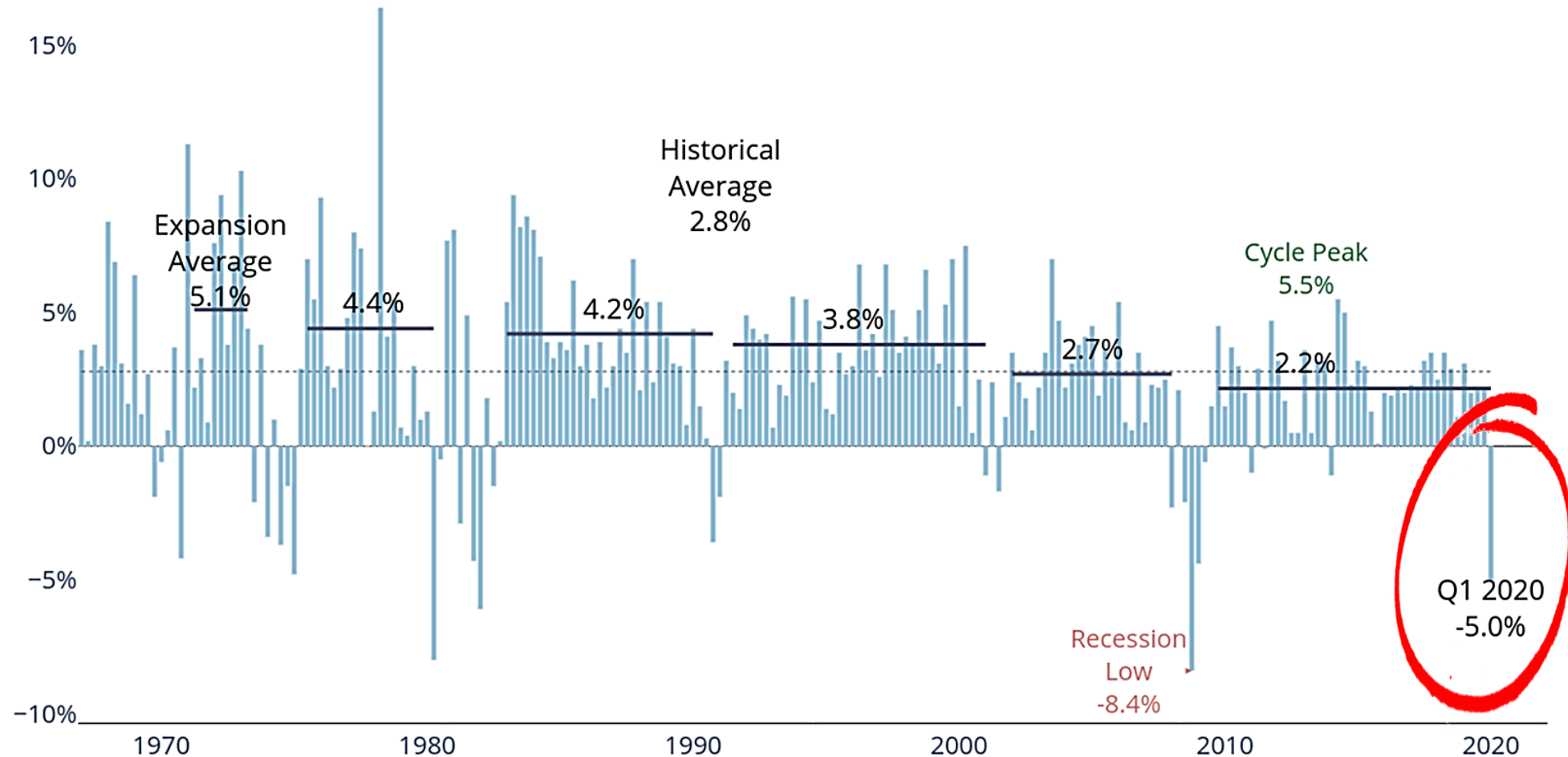
- Stock market performed well over past 50 years
- Positive performance despite significant economic, political and global turmoil
- Important to stay invested for long-term



# U.S. ECONOMIC GROWTH

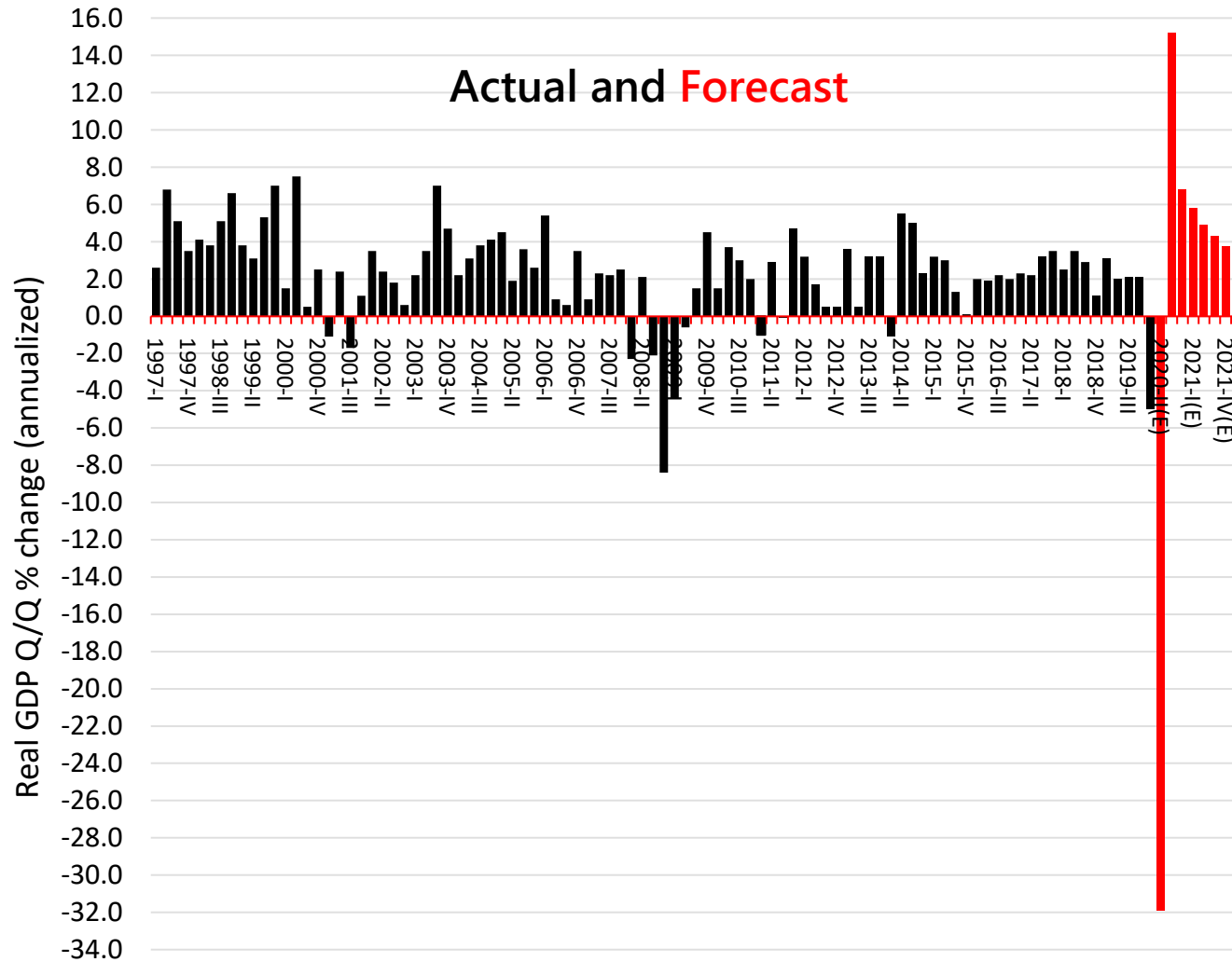
## Quarterly GDP, Year-Over-Year Percentage Change

- Economic shutdown from COVID-19 led to recession
- Prior, economy grew steadily above 2%
- Future growth dependent on handling of public health crisis and economic reopening



# CONSENSUS GDP FORECAST

## Huge Contraction with V-Shaped Recovery





# ECONOMIC RECOVERY EFFORTS

## COVID-19 Relief

### How Fast the Economy Crashed— And Washington Responded

The Fed and Congress sped up the response to the coronavirus pandemic using strategies tested a decade ago in the financial crisis

BY JACOB M. SCHLESINGER  
AND HANNA SENDER

There are similarities between the financial crisis of 2008 and the coronavirus pandemic of 2020. A sudden, jarring blow to the economy and markets, followed by a massive response from policy makers to try to prevent a 21st-

century Great Depression. One big difference: speed. Washington has this time done in weeks what took a year and a half back then.

The first signs of the financial crisis emerged in August 2007, when securities backed by subprime mortgages plunged. Congress and the White House ultimately allocated about

\$2 trillion to subdue the disaster. The final big piece wasn't enacted until February 2009.

This year, Congress has in March alone passed three laws throwing about the same amount of money at the problem, barely two months after the first officially reported coronavirus death in China.

#### Total funds authorized by Congress

\$2.25 trillion

2.00

1.75

1.50

■ Since China reports first death from coronavirus (Jan. 11, 2020)

■ Since early signs of the financial crisis\* (Aug. 7, 2007)

Eleven weeks after coronavirus outbreak, Congress passes **\$2 trillion** Coronavirus Aid, Relief, and Economic Security Act.

Eighty weeks after the crisis began, President Barack Obama signs into law the **\$787 billion** American Recovery and Reinvestment Act.

\*Becomes first major financial crisis; report major mortgage-related problems; freezing subprime mortgage funds. Congressional Budget Office; White House

**\$700 billion** Troubled Asset Relief Program

**\$300 billion** mortgage-guarantee bill

**\$1 trillion** stimulus bill

THE CRISIS BEGAN

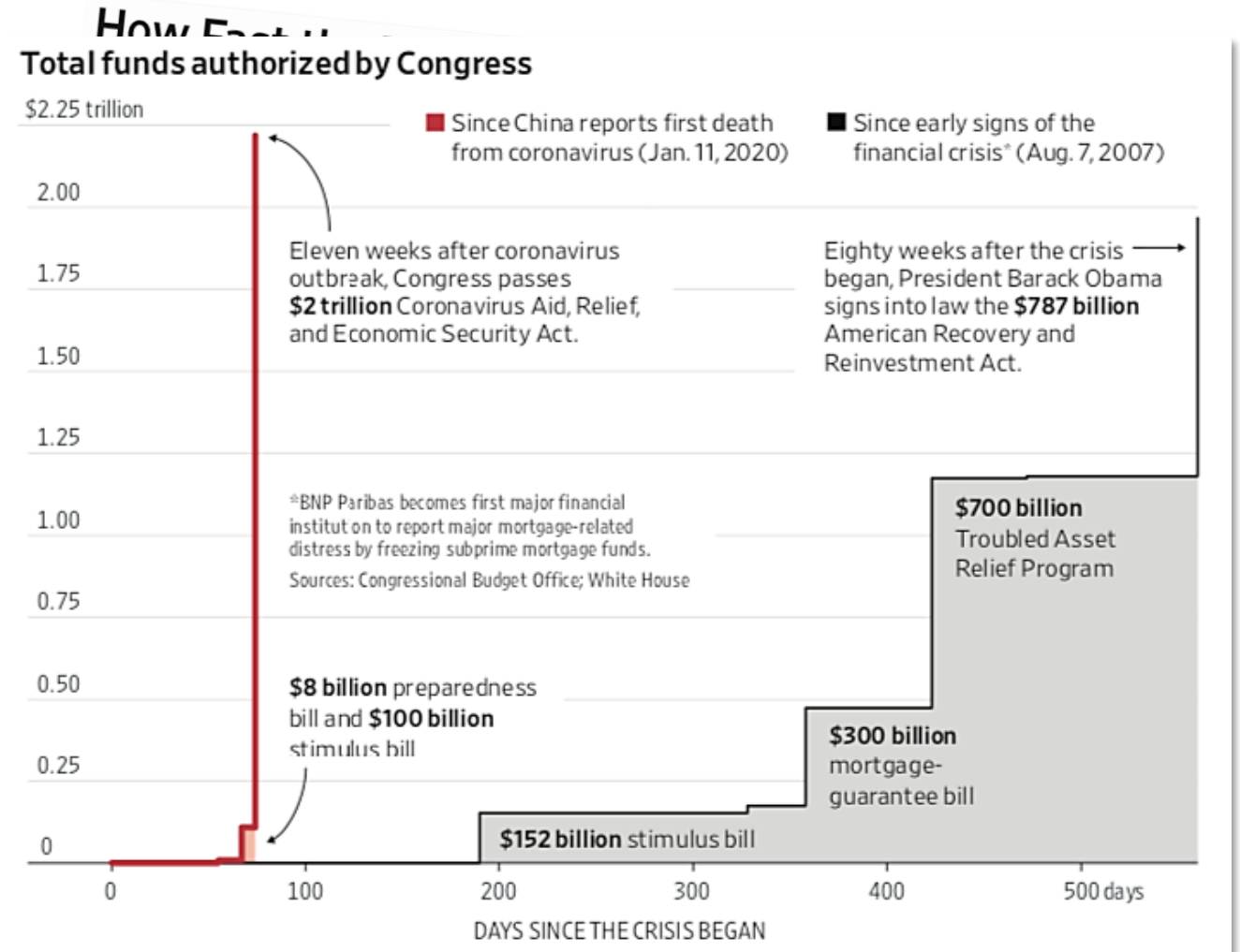
300

400

500 days

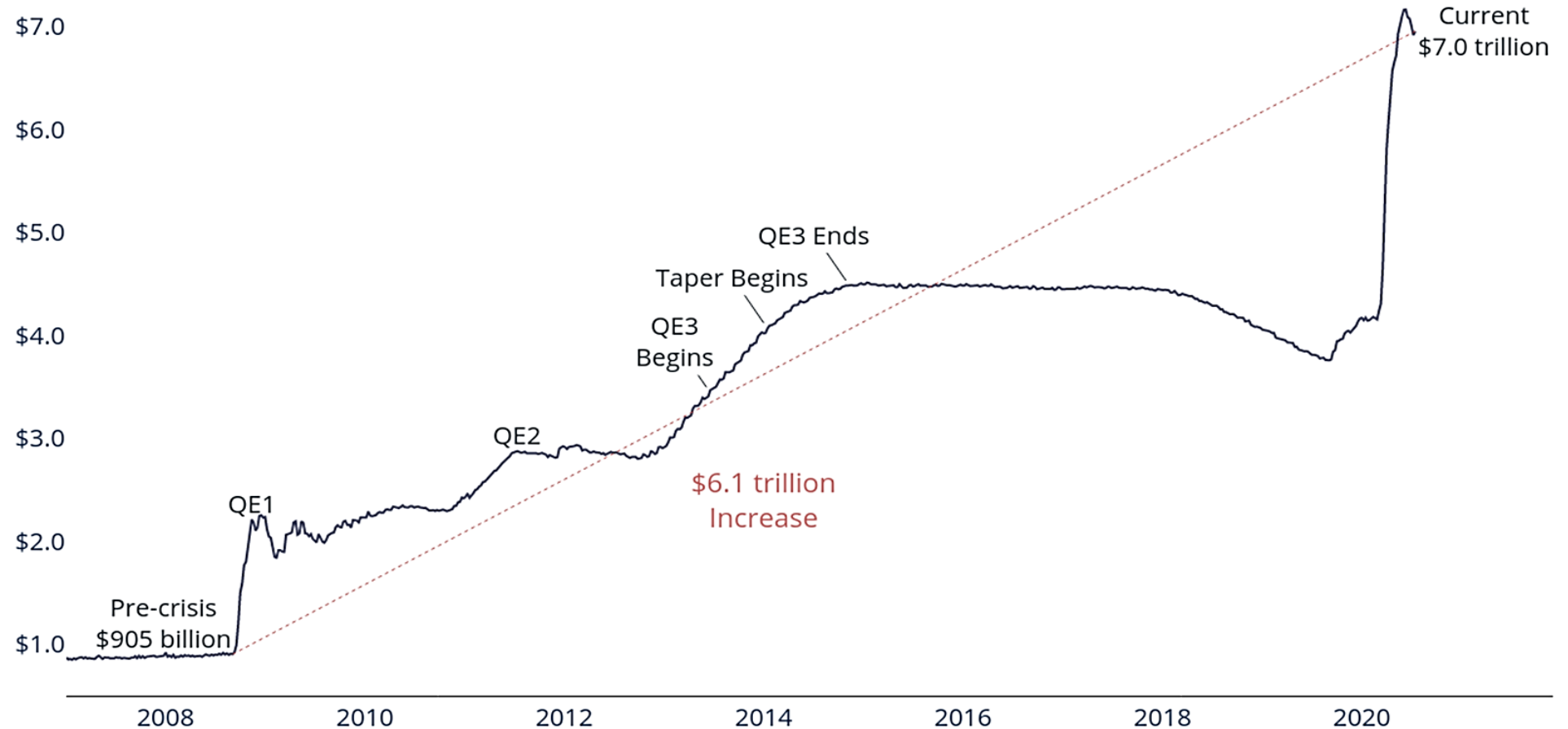
# ECONOMIC RECOVERY EFFORTS

## COVID-19 Relief



# FEDERAL RESERVE BALANCE SHEET

- Fed used balance sheet to spur economy
- During financial crisis, balance sheet increased to over \$4.5T
- Significant additional expansion starting on March 23, 2020



**"Lots of progress  
on the financial  
front since  
the Fed launched  
B-52 bombers  
and carpet-bombed  
the market  
with liquidity  
starting March 23."**

**DR. EDWARD YARDENI  
PRESIDENT, YARDENI RESEARCH, INC.**



# MORTGAGE RATES

## 30-Year Fixed Rate Mortgage

- Lower interest rates, lower mortgage rates
- Average 30Y mortgage rate around 3%
- Rates are so good you should consider refinancing if you have a mortgage

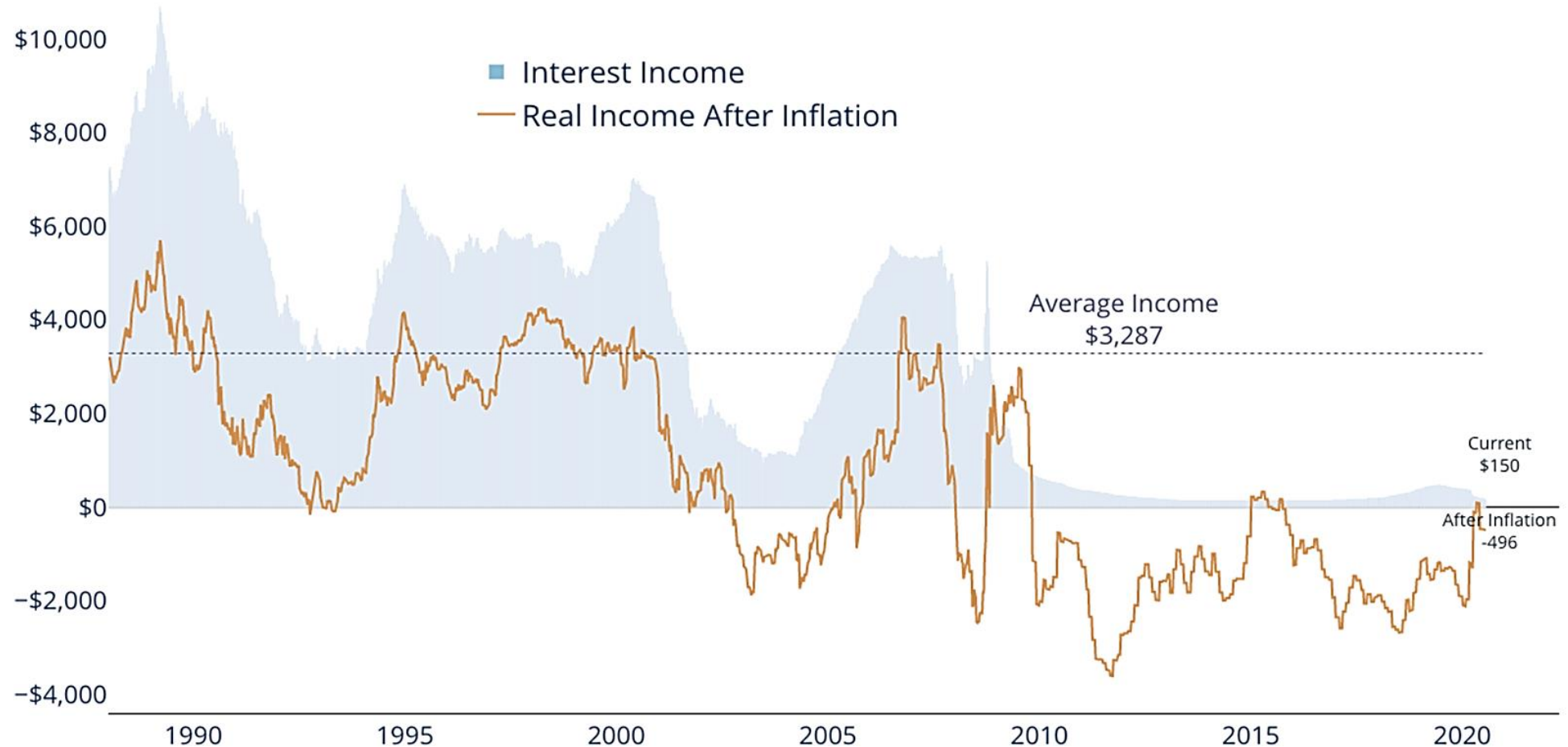




# INTEREST INCOME ON CASH

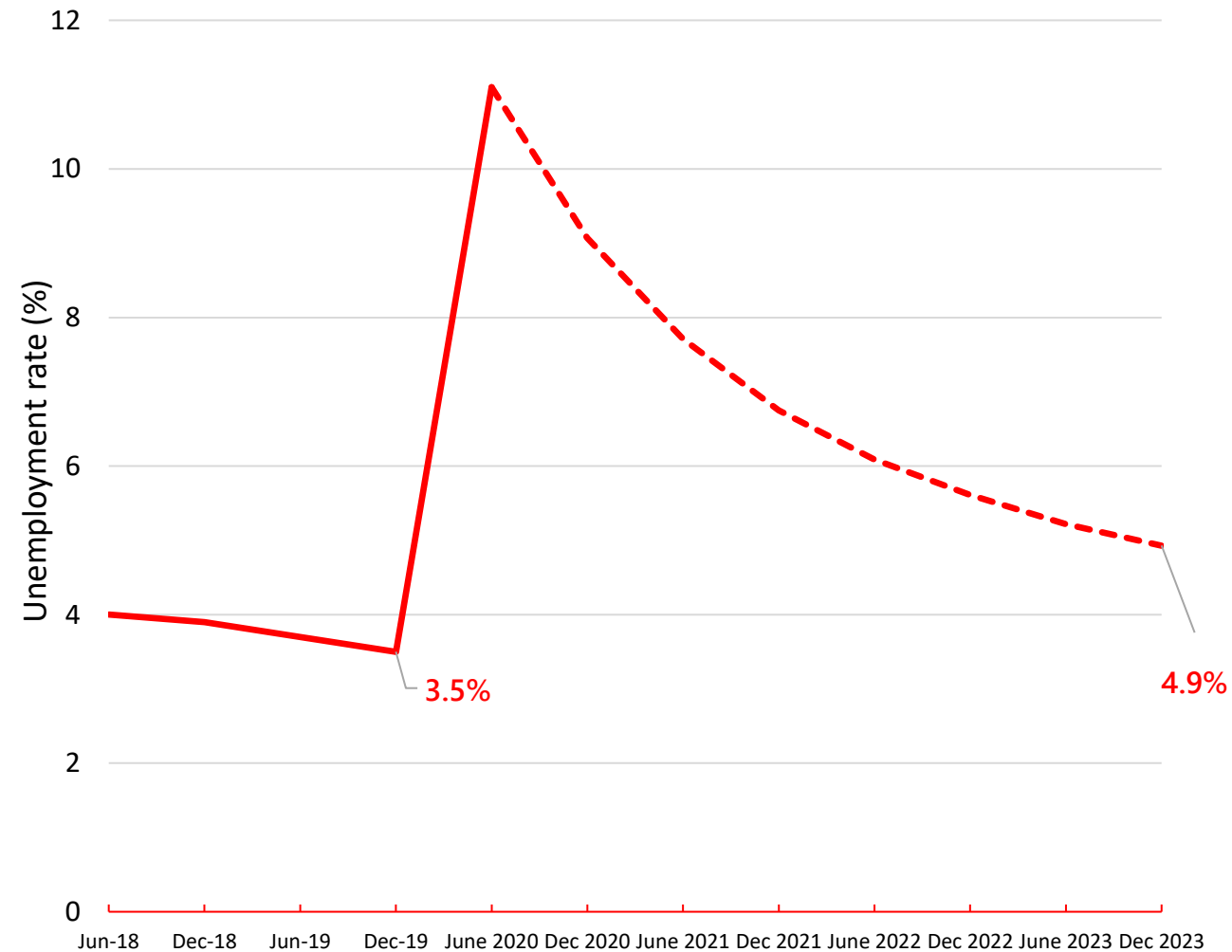
\$100K invested in 6-month CDs against inflation; actual rates may vary

- Generating income from safe investments challenging
- Fed recently cut interest rates
- Adjusting for inflation, significant purchasing power lost by investors holding cash



# CONSENSUS FORECAST

## Unemployment Forecast (WSJ Survey)

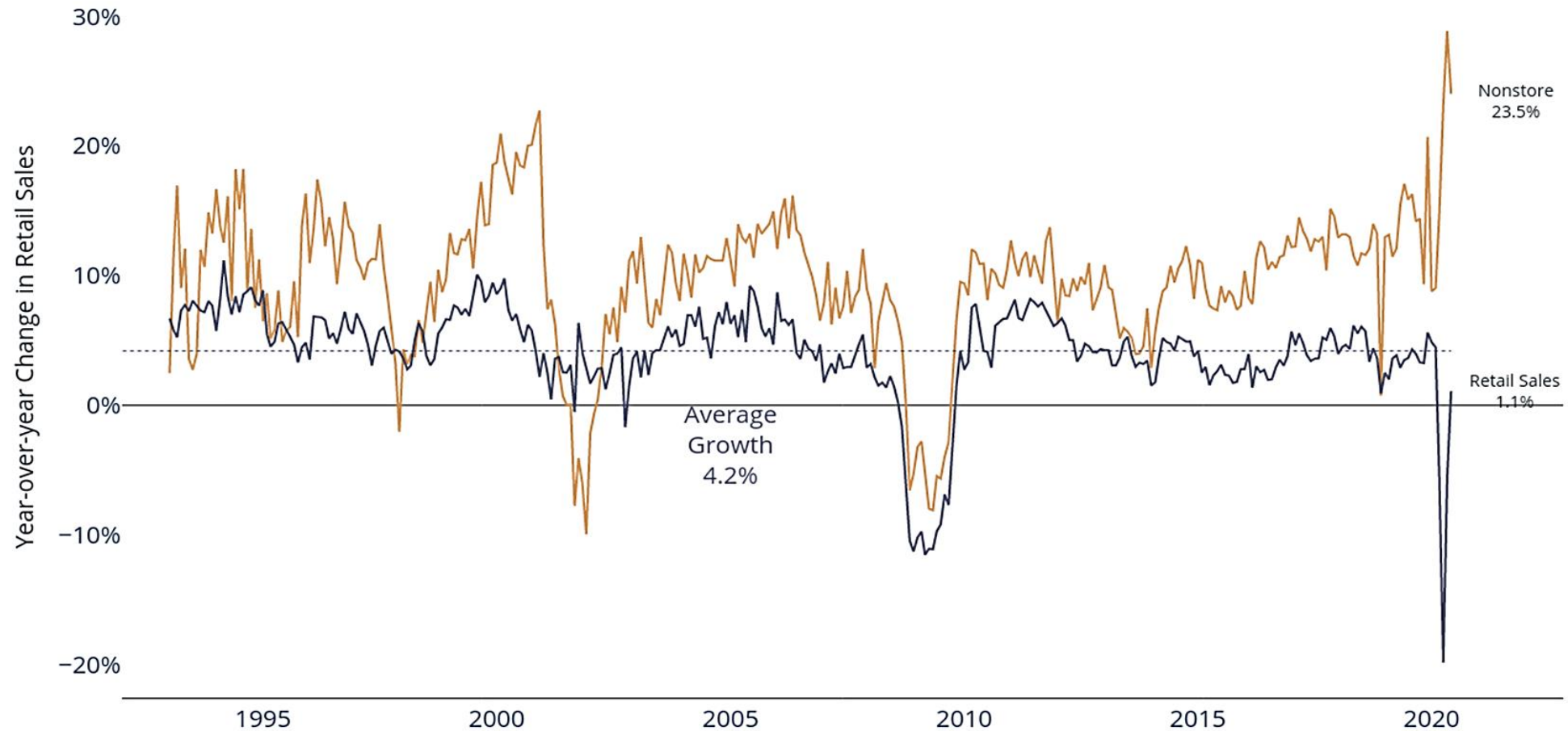


Source: BLS (12/2019), Wall Street Journal (7/10/20)

# CONSUMER SPENDING

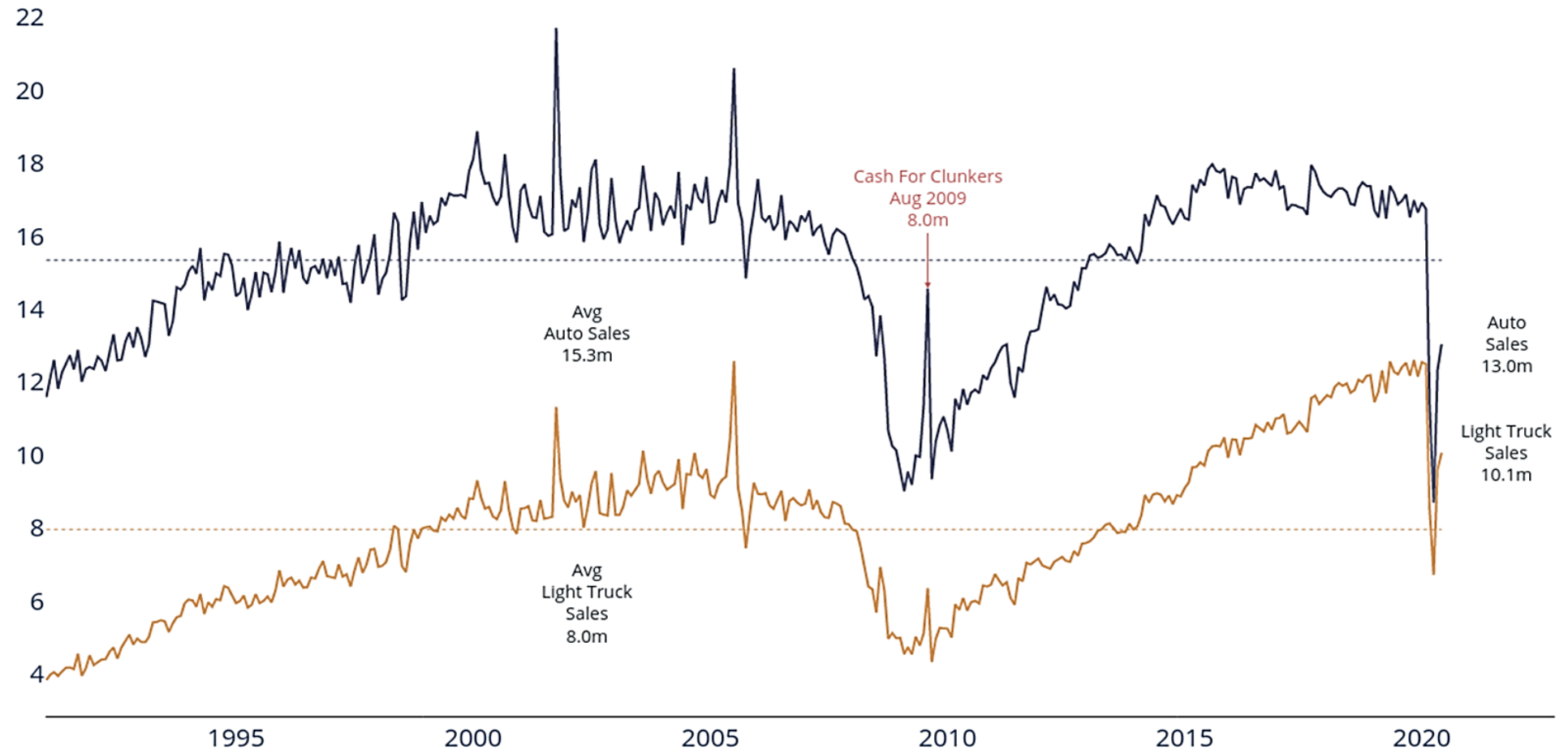
## Retail Sales, YOY % Growth

- Retail sales way to measure consumer spending
- Strong consumer balance sheet and labor market fuels retail sales
- Shift to non-store retailers; faster growth



# AUTO SALES

- Auto sales one indicator of economic health
- Pre-pandemic: auto sales below average, fell further
- Average age of autos on road: 11.5 years



"So far, the impact of the Great Virus Crisis (GVC) on the economy has been more like a natural disaster than a man-made recession.

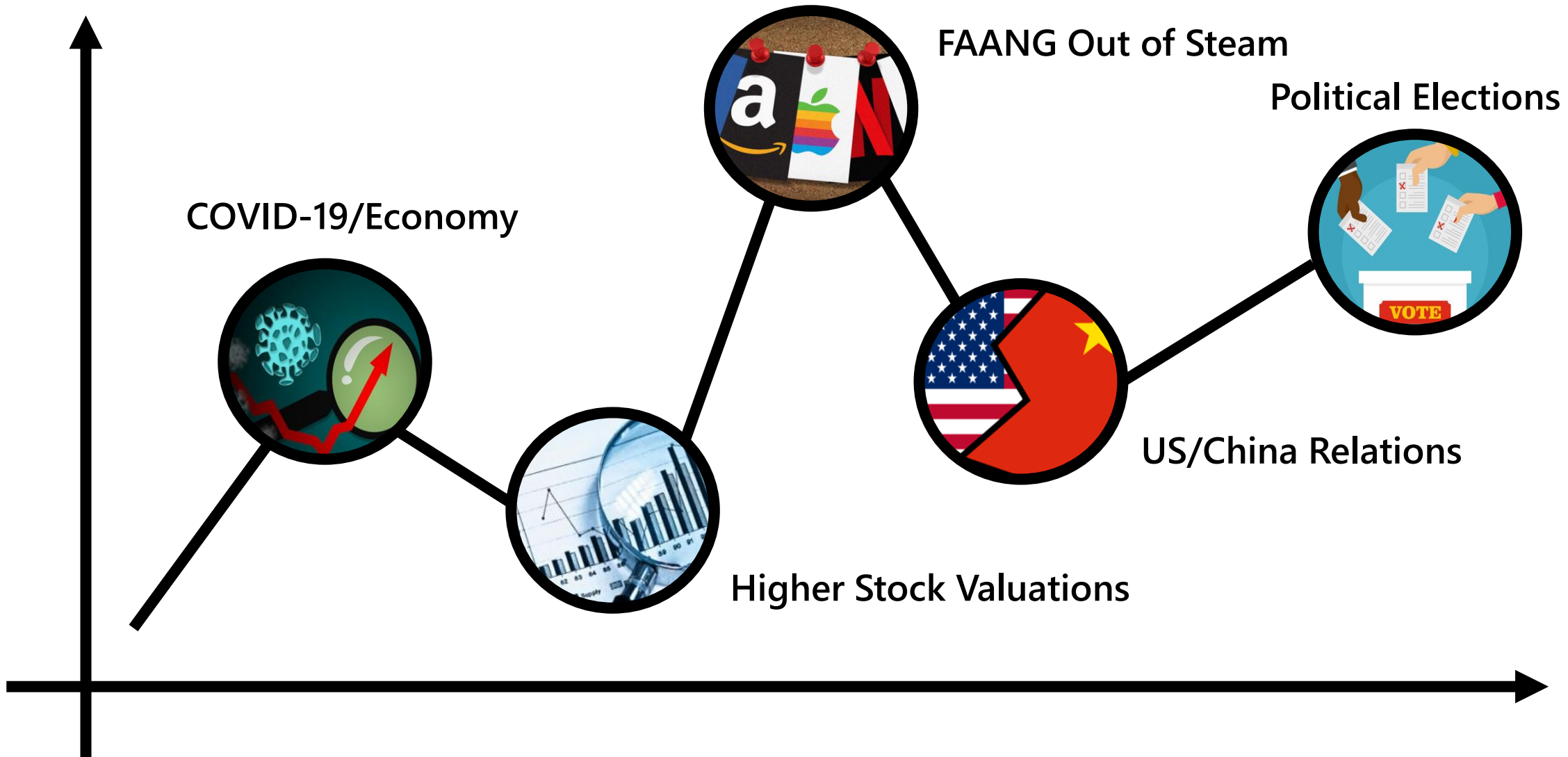
Then again, the virus is still out there, and the recovery could slow or even stall in coming months. For now, the latest batch of economic indicators are consistent with a V-shaped recovery."

DR. EDWARD YARDENI  
PRESIDENT, YARDENI RESEARCH, INC.



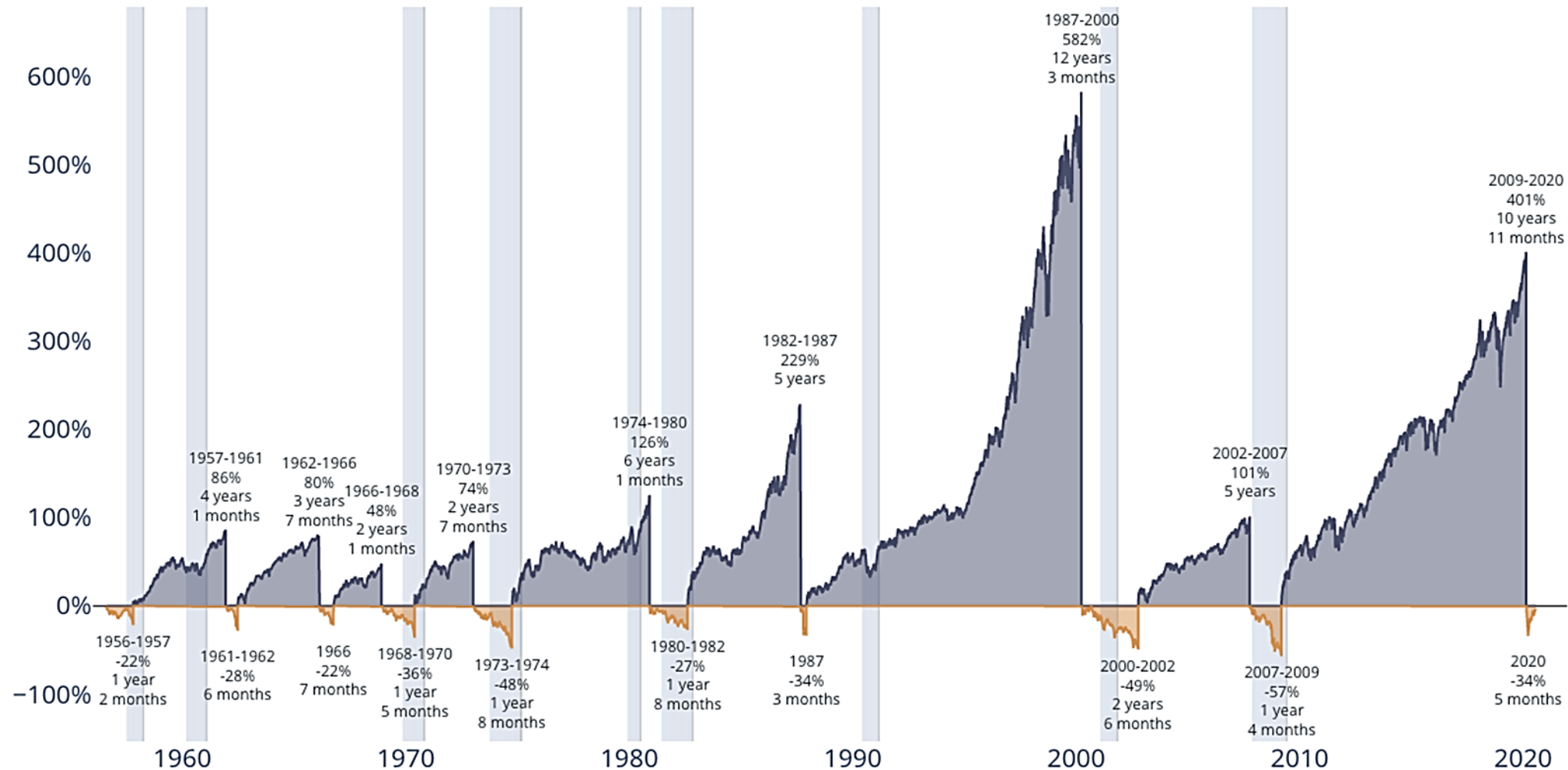


# 5 MARKET RISKS IN 2020



# STOCK MARKET BULL AND BEAR CYCLES

## S&P 500 Price Index Since 1965 Bear Market with Recessions Shaded



# INVESTMENT STRATEGY

## Modern Portfolio Theory



*"Your mother called to remind you to diversify."*

# VANGUARD 10-YEAR ANNUALIZED OUTLOOK FOR ASSET CLASS RETURNS

## EQUITIES



**4-6%**

**7-9%**

## BONDS



**0.5-1.5%**

**0.5-1.5%**

*Probabilistic return assumptions based on 10,000 simulations for each modeled asset class and do not indicate actual investment results*

# INVESTMENT STRATEGIES

What Are Your Options?

Go to  
cash

Become  
more  
aggressive

Become  
more  
conservative

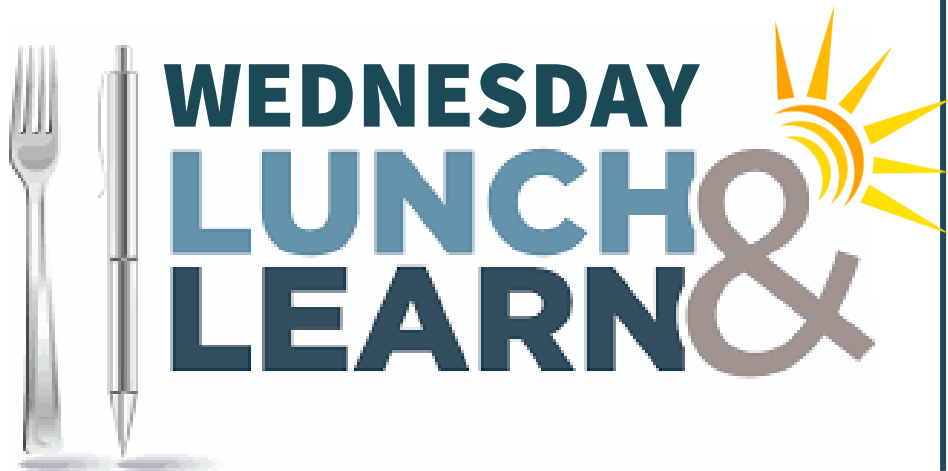
Stay the  
course and  
focus on  
long-term





Hughes Financial Services' 20-minute virtual educational Lunch & Learn webinar sessions **ARE BACK!**

Grab your device and lunch and join us **each Wednesday at Noon** to juice up your financial planning knowledge on a variety of topics!



## REGISTER ONLINE AT [WWW.H4FS.COM](http://WWW.H4FS.COM)

> > Use the Events Tab and Workshops & Webinars Link

- 8/5: Five Financial Mistakes Made in Retirement & How to Avoid Them
- 8/12: Investing 102: Making Your Money Work For You
- 8/19: Planning for College & What COVID-19 Has Changed
- 8/26: How to Maximize the Value of your HFS Portal, Part 2
- 9/2: Raising Financially Aware Kids & Grandkids
- 9/9: Politics & Markets: What Happens During a Presidential Election

PREVIOUS WEBINAR RECORDINGS AVAILABLE AT [WWW.H4FS.COM](http://WWW.H4FS.COM)

Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) that works closely with individuals and families, helping them to accomplish their unique financial goals through the allocation of their assets. We are a fee-only firm that seeks to adhere to the highest fiduciary standards and provide clients with advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients an impressive wealth of expertise in retirement and estate planning, investment and risk management, insurance, and education planning. Our advisers hold a variety of professional designations and certifications and are well versed in a number of financial disciplines. Our combined education and experience allows us to proudly offer you independent financial advice that you can trust.q1

Information in this presentation is based on sources believed to be reliable; however their accuracy or completeness cannot be guaranteed. This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the education of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor. All examples provided are hypothetical and meant for illustrative purposes only. State income tax laws can be different from Federal income tax laws depending on your state. Be sure to take this into account before making any decisions. Individual situations will vary so please consult a tax advisor to address your specific situation.

Investing involves risk including the potential loss of principal. No investment strategy, such as asset allocation and rebalancing, can guarantee a profit or protect against loss in periods of declining values. Please note that rebalancing investments may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which range from time to time, represent between 15% and 20% of the market value of NYSE stocks.

**SOURCES:** Clearanomics; *The Wall Street Journal*; Bureau of Economic Analysis; Standard & Poor's; Refinitiv; Edward Yardeni; NBER; Freddie Mac; Federal Reserve; FDIC; Bureau of Labor Statistics; U.S. Census Bureau' U.S. OMB; BLS; Cartoonbank.com

2201 Cooperative Way ■ Suite 150 ■ Herndon, VA 20171  
(703) 669-3660 ■ FAX (703) 880-4905 ■ [www.h4fs.com](http://www.h4fs.com)





If you have questions about this presentation, please contact us at:  
(703) 669-3660 or [clientservices@h4fs.com](mailto:clientservices@h4fs.com)