



# MarketWatch

**MARINE BANK**  
Trust & Investment Management

## Conference Call Summary

*Joe Terril, Terril & Company, Featured Speaker*

The economy in the United States and around the world is experiencing a "V" shaped recovery. The recovery is also faster than initially anticipated. People are coming out and participating as businesses reopen. Statistics, such as employment figures, retail sales, industrial production, mortgage applications, and new home sales, are all coming in much higher than predicted. Some of the most affected industries, like airlines, are recovering even faster than management thought possible. This is not to say that airlines are healthy or out of the woods. It is simply pointing out that they are boarding more passengers than first thought, and there are higher reservations for summer travel. Essentially, the news coming out on the economy is all good.



The second half of the equation is the message from the media and some market pundits stressing that there will be a second wave of COVID-19, which will cause everything to shut down again. This message is frustrating because there is no real consensus among medical experts. Recent research indicates that the majority of new cases are attributable to increased testing and the expected natural increase in cases as businesses around the country reopen. At the moment, we do not think there will be a second wave that requires a shutdown.

The bullish stance is that hospitalizations and deaths continue to be flat or falling, despite reports of 23,000 new confirmed cases a day. That goes along with several recent comments made around the world that the virus is losing its strength and is not nearly as strong or dangerous as it was during the middle of last winter or early spring. Italy's Ministry of Health has said they believe that effectively the virus is clinically dead

in Italy. New Zealand has said their country is absolutely virus-free. China has reported cases in Beijing, but it has only been around 100 cases localized in Beijing, which is hardly the type of second wave that would cause a country to shut down once again.

There are positive messages that could support the idea that some of the increased figures in the United States are indeed due to increased testing. While numbers in Texas appear to be surging, Texas has pointed out that it is only because they have revised their figures to include prisons. The spread of COVID-19 is a real issue in prisons where many inmates are trying to contract the virus to get a release. Florida is seeing increases in cases they attribute to the protest movements that have occurred everywhere. A couple weeks ago, it was estimated that there were more than a million people throughout the United States out participating in protests. Some of Florida's increase is from protests, and some have come from reopening. Yet, again, hospitalizations and death rates continue to flatline or fall.

We remain very bullish on the stock market, simply because you can see how the economy is recovering. If the future of the virus reacts as others in the past, and slows down or dies out over the summer, then, in our opinion, stock prices will most certainly go back to record highs.

Just a few stocks are dominating the averages in the stock market. It is a little worrisome to see that money, particularly of individuals, both outside and inside the United States, continues to buy just five or six glamour technology stocks. Of the S&P 500 stocks, about 450 of them are down on the year, but those five or six stocks are now making up almost 77% of the average. So, as the S&P 500 recently reported gains for the year, it is concentrated in a few, very expensive, high tech stocks. This action resulted in last week's almost 1,900 point drop in one day.

In general, we are still bullish on the companies that are most exposed to economic recovery, including banks, energy, airlines, and heavy industrial companies like chemicals, paper, and fertilizers. The stocks appear to possess more upside if the economy continues to make its "V" shaped recovery. The epicenter stocks are up for the quarter but are in that category of stocks significantly down on the year. We think they have a long way to run on the positive side.

# ClientQuestions



Monthly conference calls with time for your questions about the state of the markets are just one of the many personalized services offered by Marine Bank's Investment Management Team. This **MarketWatch** update is a summary of our monthly call.

## Question: Joe, is the U.S. dollar holding up? What is the outlook for its future value?

Answer: At the moment, the dollar is holding up, although it is 2% to 3% off of its recent highs. With the drop in interest rates initiated by the Federal Reserve, certainly the attraction of the dollar from a few years ago is now changed. Two to three years ago, you could still make decent interest with U.S. dollar holdings, if you call 2.5 or 3% decent interest, versus foreign currencies. That spread is now dramatically lower. Today, good quality short-term paper yields less than 1%. 10-year paper is yielding less than 2%.

The attraction of the U.S. dollar vs. other currencies is changing. The question over the next six months will be if markets around the world will begin to compare the U.S. economy to other world economies and prefer other currencies. What will the balance of the world think about the amount of money that our Federal Reserve Bank is printing and throwing into our economy? The U.S., in general, during the last 5-years has benefitted from low inflation. If that comes to an end, or even begins to reverse itself, it could affect both fixed income and equity prices. There are many uncertainties, but we are watching closely for any indication that the dollar might weaken.

## Question: What are your updated thoughts regarding the energy market?

Answer: We previously mentioned the "V" shaped economic recovery and the figures being much better than most people's predictions. This is also true for the energy market. The world had been using approximately 100 million barrels of oil a day at the beginning of the COVID-19 crisis. There were predictions that it could fall as low as 65 or 70 million barrels a day. Some predicted it would be five years before we would ever get back to something like 90 million barrels a day. However, most estimates are now that the world is using about 93 or 94 million barrels a day. The fall off wasn't nearly as extreme as people thought it would be and the comeback is much faster than people expected. So, we are relatively bullish on energy as an industry heavily tied to an economic recovery that we believe is going to happen. Usage in China, with their economy open for about three months, is back to 97 or 98% of what it was before COVID-19. Driving in the United States is surpassing everyone's expectations. Miles driven is increasing. Much like the other figures on housing and retail sales, etc., the figures on energy are better than what people anticipated. Now we need to see it transfer into the prices of the stocks.



Our next monthly conference call will be:  
**July 15th 2020**  
**August 19th 2020**  
**September 16th 2020**  
at **10:30 a.m.**

To participate, dial  
**1.866.210.1669**

When prompted, enter code **8558354#**

Email your questions to Annette in advance:  
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**John "Joe" Terril**  
President of Terril & Company, a St. Louis based, independent wealth management firm. Terril & Company has been overseeing retirement plans, IRAs and individual investment portfolios for over 37 years, an important keystone of Terril & Company's philosophy remains ensuring no conflicts of interest exist between the company and its clients.