



Trust Division

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INVESTMENT COMMITTEE MARKET COMMENTS

August 2020

STOCK MARKET INDEX DATA	Current Index	MTD Return	YTD Return	2019 Return
as of July 31, 2020				
Dow Jones Industrials Average	26,428.32	2.38%	-7.39%	22.34%
S&P 500	3,271.12	5.51%	1.25%	28.88%
Nasdaq	10,745.27	6.82%	19.76%	35.23%

STOCK MARKET UPDATE

Stocks recorded solid gains in July, helping push the technology-heavy Nasdaq Composite Index to record highs and lifting the S&P 500 Index into positive territory for the year. Although signs briefly emerged of a market rotation toward small-caps and value shares, large-caps and growth stocks outperformed and widened their significant lead in recent months—the large-cap Russell 1000 Growth Index ended July up over 18% on a total return basis (including dividends) for the year to date, while the small-cap Russell 2000 Value Index was down nearly 22%. Consumer discretionary shares led the gains within the S&P 500, helped by strong performance from Amazon.com, while energy was the sole segment to record a loss, down over 5%.

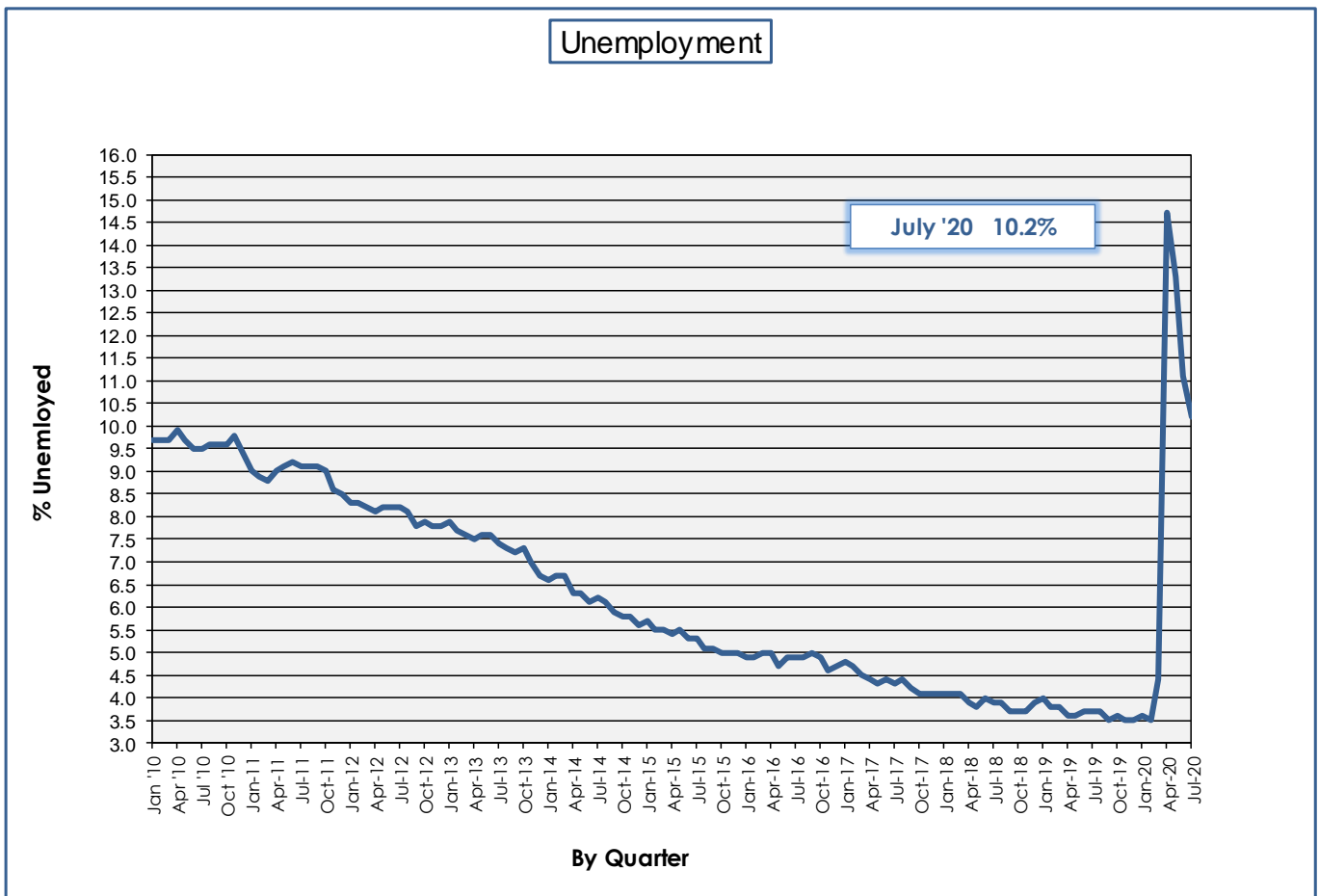
Current Bond Yields						
Bond Types	3 Mo	6 Mo	2 Year	5 Year	10 Year	30 Year
U.S. Treasury	0.09%	0.09%	0.14%	0.26%	0.63%	1.34%
Agency/GSE	0.34%	0.17%	0.22%	0.75%	1.68%	1.98%
Corporate (Aaa/AAA)	0.17%			0.34%	1.34%	2.96%
Corporate (Aa/AA)	0.21%	0.24%	0.33%	0.68%	1.58%	3.78%
Municipal (Aaa/AAA)	0.15%	0.14%	0.40%	1.00%	1.67%	2.05%
Municipal (Aa/AA)	0.40%	0.46%	0.82%	1.22%	2.31%	2.33%

FIXED INCOME MARKET UPDATE

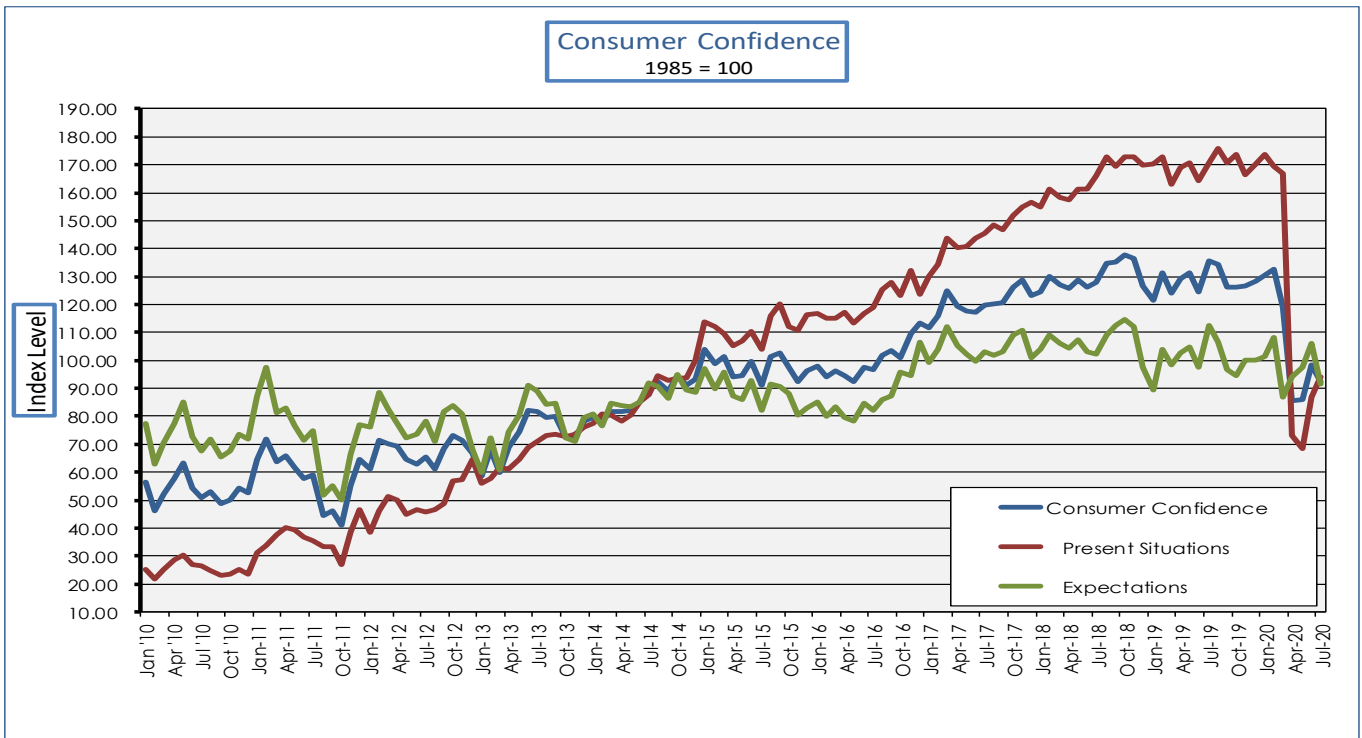
Fixed income securities also performed well in July, as the yield on the benchmark 10-year Treasury note fell to its lowest level since early March. (Bond prices and yields move in opposite directions.) Data showing a slowdown in the economic recovery may have contributed to the rally in Treasuries. Investment-grade and high yield corporate issues outperformed, helped by strong demand and muted new issuance. Municipal bonds also performed modestly better than the broad taxable fixed income market.

ECONOMIC UPDATE

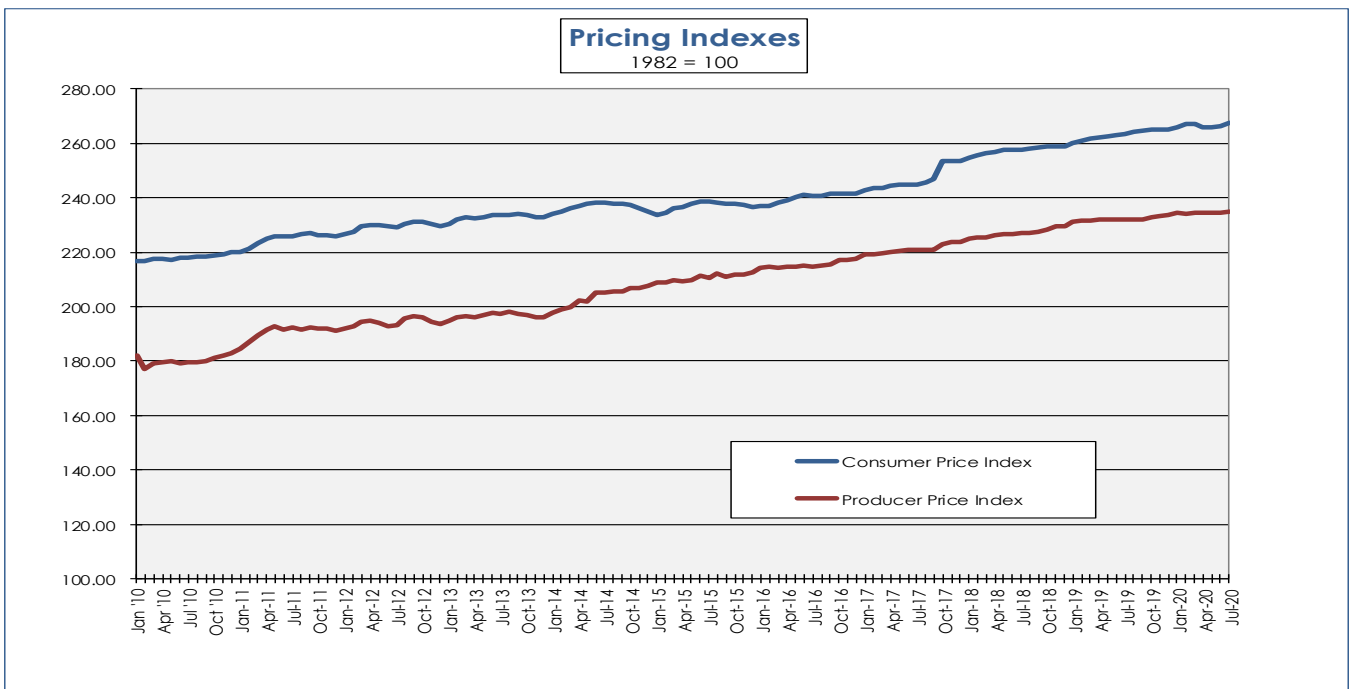
President Donald Trump recently signed executive actions extending supplemental unemployment benefits, halting evictions, delaying student loan payments, and cutting payroll taxes. While critics immediately raised doubts about the constitutionality and efficacy of the actions, investors seemed hopeful that they would help break the impasse in congressional negotiations—with consensus expectations for a stimulus package of around USD 1.5 trillion. Negotiations made no progress, however, and last Thursday, the U.S. Senate went into recess until September 8. The U.S. House of Representatives is already on recess and, according to The Hill, is not expected to reconvene until Monday, September 14.



Jobless Claims - In the week ending August 8, the advance figure for seasonally adjusted initial claims was 963,000, a decrease of 228,000 from the previous week's revised level. The previous week's level was revised up by 5,000 from 1,186,000 to 1,191,000. The 4-week moving average was 1,252,750, a decrease of 86,250 from the previous week's revised average. The previous week's average was revised up by 1,250 from 1,337,750 to 1,339,000. Total nonfarm payroll employment rose by 1.8 million in July, and the **unemployment rate** fell to 10.2 percent. These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic.



The **Conference Board Consumer Confidence Index**® decreased in July, after increasing in June. The Index now stands at 92.6 (1985=100), down from 98.3 in June. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – improved from 86.7 to 94.2. However, the Expectations Index – based on consumers' short-term outlook for income, business, and labor market conditions – decreased from 106.1 in June to 91.5 this month.



In July, the **Consumer Price Index** for All Urban Consumers rose 0.6 percent on a seasonally adjusted basis; rising 1.0 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy rose 0.6 percent in July (SA); up 1.6 percent over the year (NSA). The **Producer Price Index** for final demand increased 0.6 percent in July, as prices for final demand services rose 0.5 percent and the index for final demand goods advanced 0.8 percent. The final demand index decreased 0.4 percent for the 12 months ended in July.