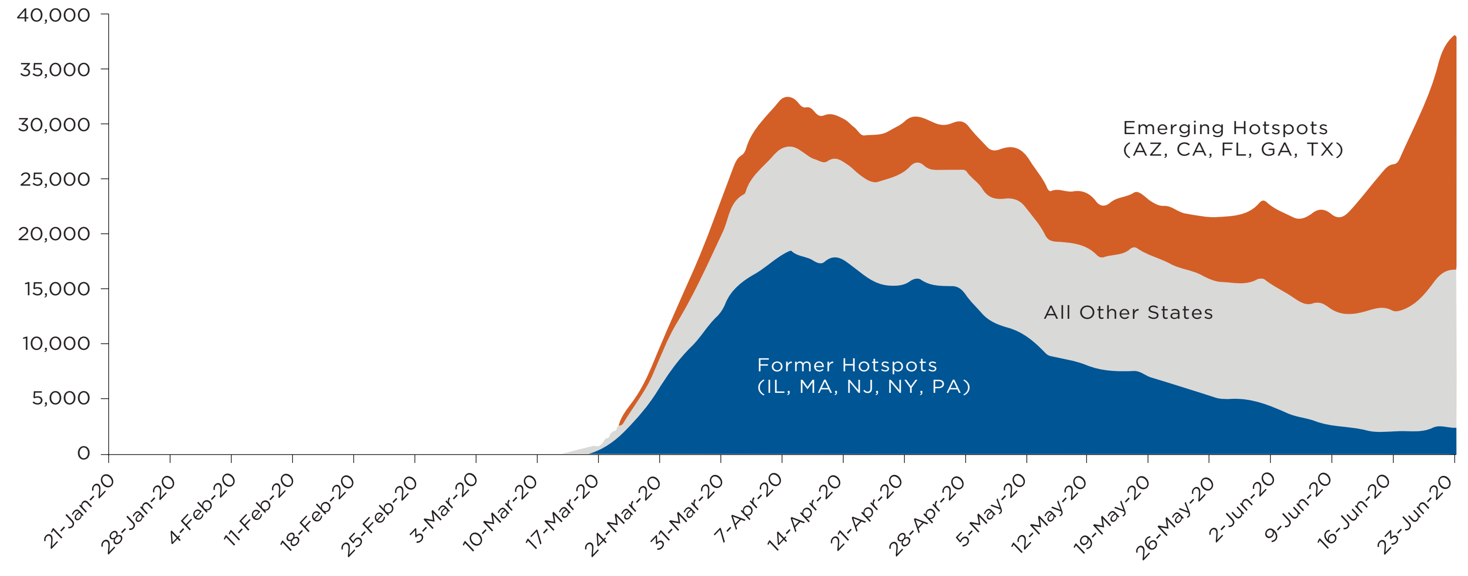
Coronavirus Outbreak



Source: European Centre for Disease Prevention and Control.

QUARTERLY MARKET OUTLOOK: **THIRD QUARTER 2020**

Economic Outlook

Since the downturn was triggered by a biological crisis, we think the path of the coronavirus pandemic will shape the path of the economic recovery. An increase in infection rates could slow, though not derail, the economic rebound that we think will start later this year and continue into 2021.

The path of COVID-19 will shape the economic recovery – The U.S. reported 41,500 new coronavirus cases on June 30, topping the previously recorded daily high of 36,291 cases set on April 24.* New York and New Jersey have lowered their number of daily new cases, but Arizona and Texas have dialed back the reopening of their economies. As long as medical advances continue and new cases stay contained, we think it is unlikely the country will re-enact a national lockdown, but we expect the rebound to be constrained until there's a vaccine for or effective treatment of the virus.

The path from recession to recovery starts with a sharp bounce, followed by a long haul – The severe decline in Q2 is likely the worst since the Great Depression. We expect a quicker-than-average start to the rebound in Q3, due to pent-up consumer demand. After this quick bounce, it will take much longer to return to pre-pandemic levels of economic growth due to labor market weakness and businesses' inability to run at full capacity. With 17.8 million workers unemployed, it may take years for the unemployment rate to return to the 50-year lows reached earlier this year. On the plus side, the consumer balance sheet remains solid, with debt levels low and savings rates at record highs. Early data shows signs of life in retail sales, increasing at the highest monthly rate on record in May. We believe the strength of the economic rebound will be determined by consumers' capacity to spend and confidence they can safely resume normal economic activities.

▶ *Action for Investors*

Market sentiment is likely to swing from optimism to anxiety as the economy continues down the path of recovery. Use periodic market swings to help fill in portfolio gaps and enhance diversification across asset classes, sectors and geographies.

*Source: Johns Hopkins University Coronavirus Resource Center.

Diversification does not ensure a profit or protect against loss in a declining market.

Edward Jones
MAKING SENSE OF INVESTING