

The Markets & the Economy - What We're Watching

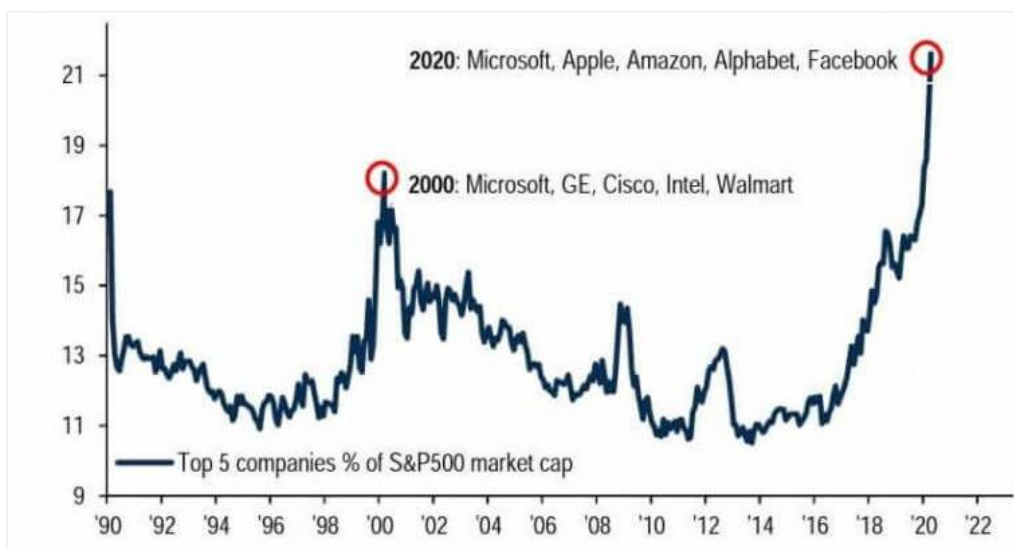
As our economy started to reopen, some states have experienced an uptick in COVID-19 cases. This combined with the Fed offering a weak economic outlook this week created dramatic swings in the market. On Thursday, the market plunged and was on track for its worst day since the March sell-off. As we have seen over the last few months, the market has reacted in very volatile ways. Take the bear market (down > 20%) correction, it was the fastest correction on record from an all-time high, only to be followed by one of the sharpest recoveries in history. Optimism about states reopening has helped the market recovery, but the economy still needs repair. As such, more volatility is likely to come as uncertainty remains regarding how the virus will react amid reopening and an increase in crowds, as well as the rate of progress on developing a vaccine.

Key Takeaways from This Week:

- > S&P 500 was back to flat year-to-date this week
- > Fed announced Wednesday it projects interest rates to remain near zero through 2022 which calls into question strength of snapback in the economy
- > Any new stimulus package may include protection for businesses from COVID-19 lawsuits
- > Back-to-school in the fall may take on a new normal with a combination of virtual and classroom

Not surprisingly, the lockdown due to the coronavirus this year has hurt small businesses more so than larger ones, the top five companies now make up over 20% of the S&P 500 by market cap.

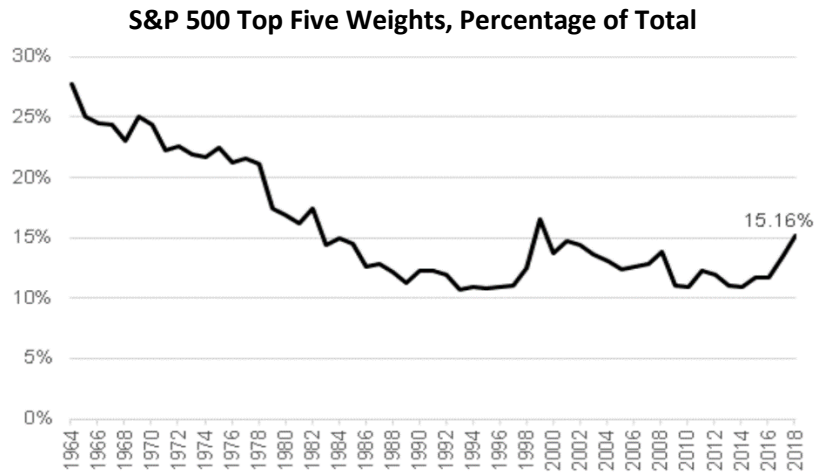
S&P 500 Now More Concentrated in the 5 Largest Stocks Than Ever



Source: BofA Global Investment Strategy, Bloomberg

This is the highest concentration in 30 years (formerly closer to 10%), but still not as concentrated as the “Nifty Fifty” period of the 1970s (the Nifty Fifty was the informal name given to a group of fifty popular US large-cap stocks which performed very strongly in the 1960s and early 1970s. Some of the “Blue

chip” companies included household names like McDonald's and Polaroid, which traded on very high valuations over many years).



Source: S&P 500

Although it is impossible to regularly time the market, we at IMG when appropriate, have used the opportunities created by the turbulence to upgrade the quality of the securities in client portfolios, harvest tax losses, and rebalance overall investment weightings towards long-term goals. Where appropriate, we have trimmed overweight positions, sectors, and asset classes and reinvested proceeds into those that are underweight. These efforts like many are implemented to ensure your portfolios are properly protected and will continue to meet your goals.

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