STRATEGAS ASSET MANAGEMENT

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**In this week's Highlights, Ryan Grabinski discusses how the recession from the lockdown is ending, more fiscal stimulus is needed, and a lull in the markets may occur.**


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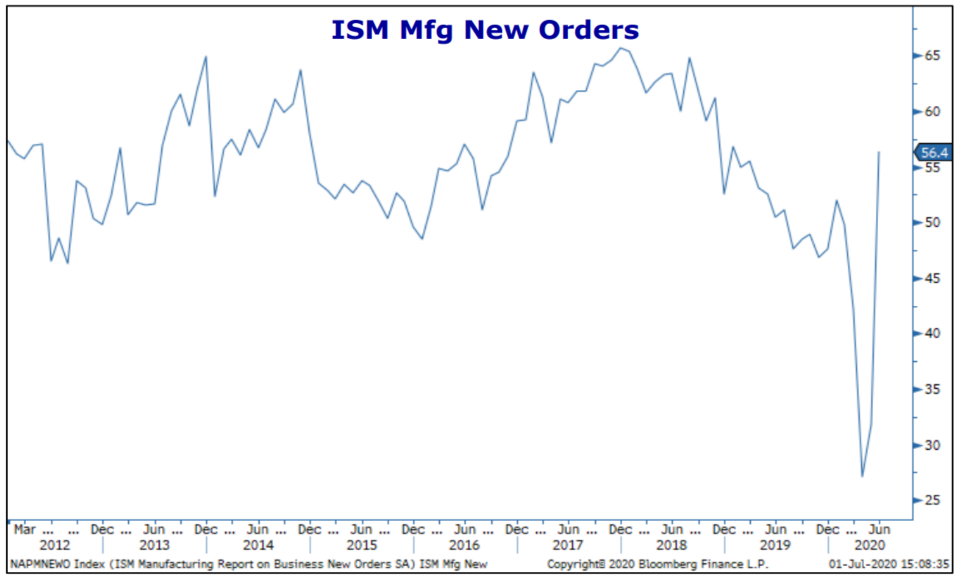
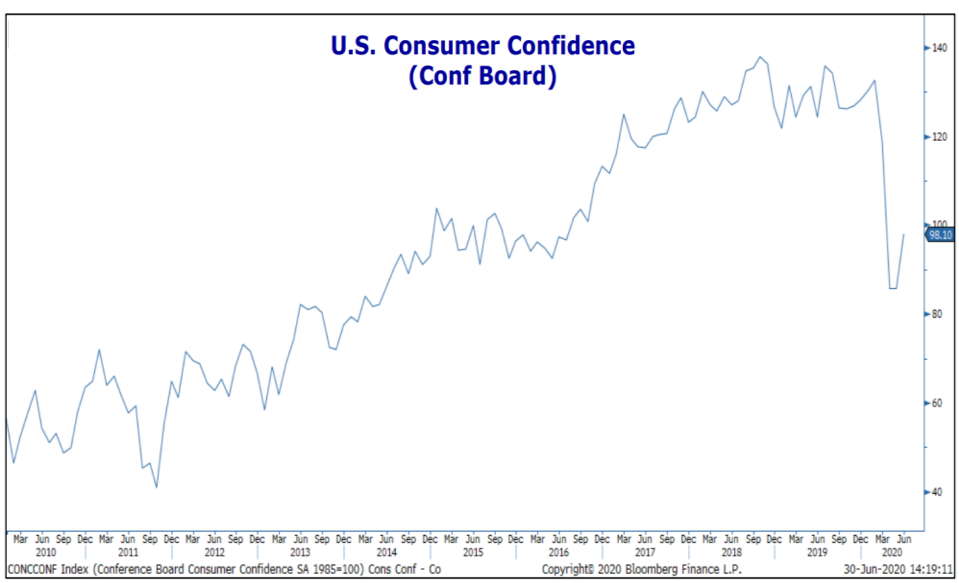
## Recession From the Lockdown Appears to Be Ending

- The manufacturing PMI returned to expansion territory in the U.S., rising to 52.6 in June with a surge m/m in the new orders component. This matters because PMIs provide key business-cycle information and new orders are a leading indicator.

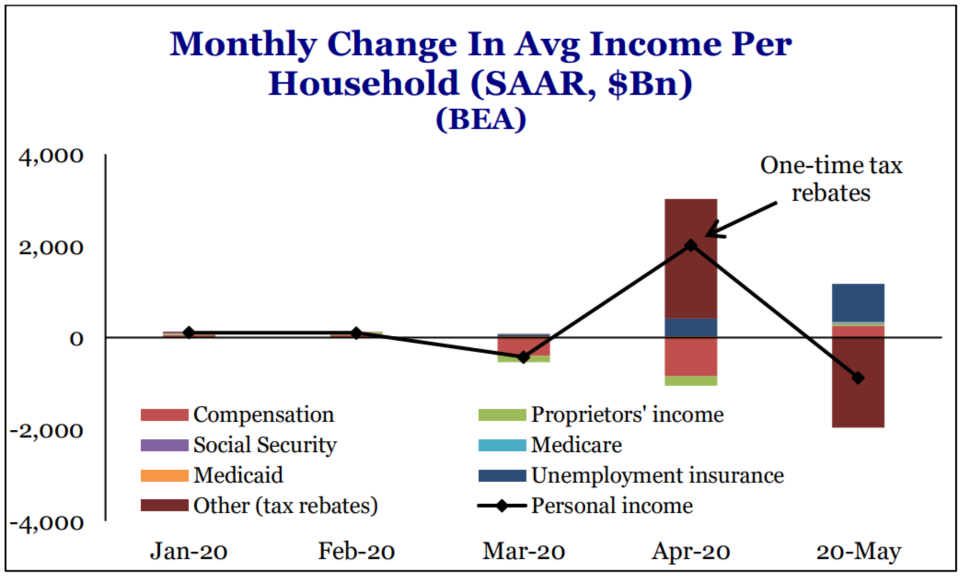



- The Conference Board survey of consumer confidence rose to 98.1 in June, with increases m/m in both the present situation & expectations components. The present situation survey reflects recent improvements in the U.S. labor market and the improvement in expectations fits with the rise in risk assets.

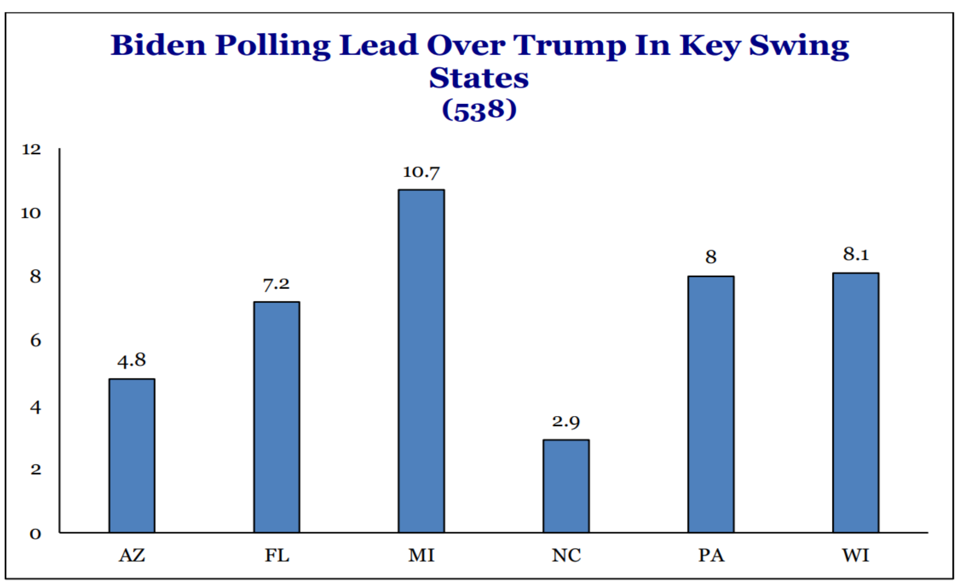


## More Fiscal Stimulus Is Needed

- Our base case is that Congress will reach a deal by July 31st that will focus on seven core areas: 1) Unemployment insurance reform, 2) state and local government aid with Medicaid funds; 3) Employer Retention Tax Credit; 4) Paycheck Protection Program reforms; 5) employee and employer health & legal protections; 6) food stamps; and 7) additional money for COVID-19 testing. Our sense is that this will be a $1.2 trillion package.

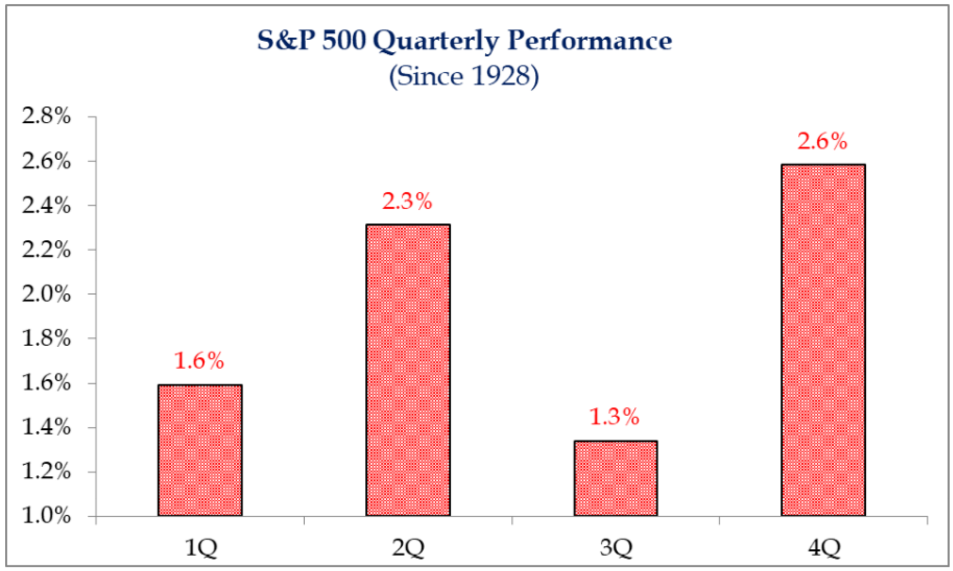



- According to the polls currently, Trump is losing in each of the swing states. Keep in mind it is still early and a lot can happen between now and Election Day.

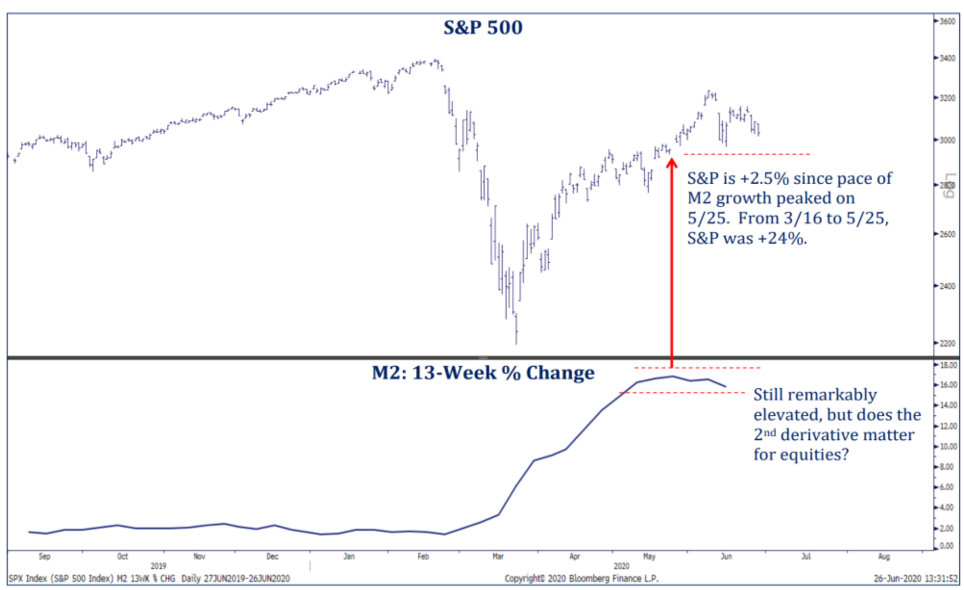


## Summer Lull Still Possible

- A look at quarterly seasonality since 1928 shows that the 3rd quarter is historically the lowest returning quarter on average. After a strong 2nd quarter following a sharp selloff in the first quarter, we would not be surprised if the market took a breather. Increased volatility is likely as we get closer and closer to the election and deal with the fits and starts that come with reopening after a pandemic.




- While still remarkably robust with a 3-month change at 16%, the pace of M2 growth has leveled off over recent weeks and, with that, equities have stalled. Is this a temporary condition or a developing headwind?



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