

Herbert R. Smith and Company

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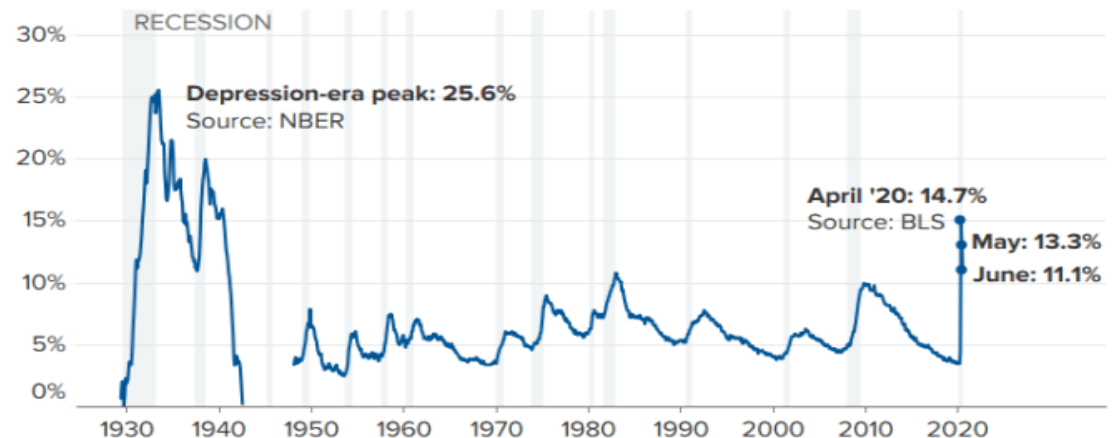
	2 Qtr	12-Mo
Dow	18.51%	- 0.54%
S & P	20.54%	+7.49%
NASDAQ	30.95%	+27.05%
10-Yr Treasury		0.66%
10-Yr Municipals		2.25%
Fed funds Rate		0.25%
Gold	\$1780.96	
Silver	\$18.20	

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Jobless rate compared to Great Depression-era levels

Monthly unemployment rate from the National Bureau of Economic Research (1929-1942) and Bureau of Labor Statistics (1948-present)

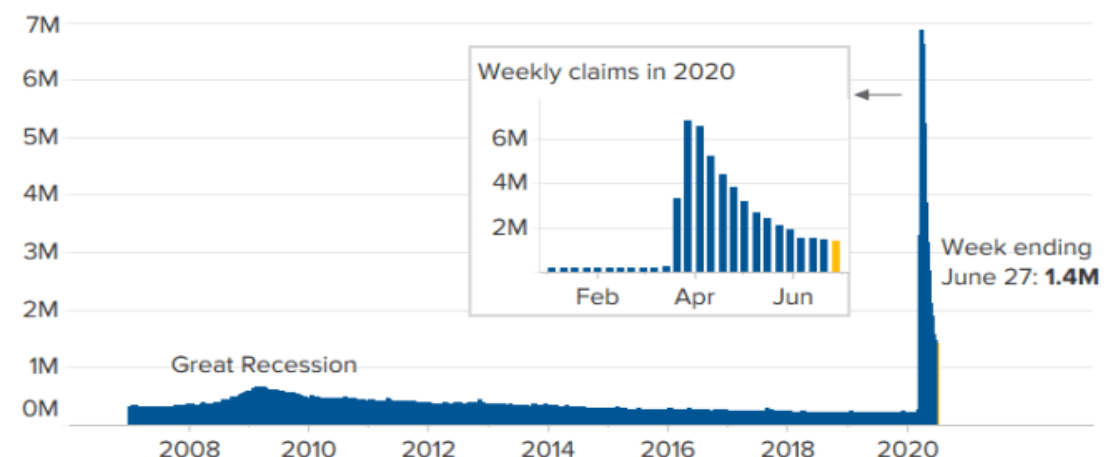


SOURCE: National Bureau of Economic Research, retrieved from FRED (data from 4/1/1929-6/1/1942), Bureau of Labor Statistics (data from 1/1/1948-present). Data for both the NBER and BLS series is seasonally adjusted.



Unemployment rose in June to 11.1%, which is a relative number. It looks good compared to April at 14.7% and 13.3% in May, but not so good if you compare it to February's rate of 3.5%. This is where the literal battle lines are being drawn. Twelve million people are without jobs who had one in February. Receiving an extra \$600 in unemployment benefits disincentivizes some workers to come back to work until they expire late in July. This is impacting employers who want and need them back. There is weakness in various industries with companies disappearing and job losses could be permanent. Much of this posturing is political and with the election only a short time away the competition is heating up.

Initial claims for unemployment insurance



SOURCE: Department of Labor. Data is seasonally adjusted. Data through June 27, 2020.



The next two charts tell the story. We cannot add to our national deficit without severely damaging our economy. The first chart is projecting \$60 trillion federal debt within 10 years. The chart below shows where the money goes. All parties, all administrations, all Federal Reserve Chairs have chosen to kick the can down the road. We have all agreed that if anything is ever done about these programs it will be done with inflated currency at the cost of the tax payer. Remember, no fiat currency (currency backed by nothing) has ever been successful.

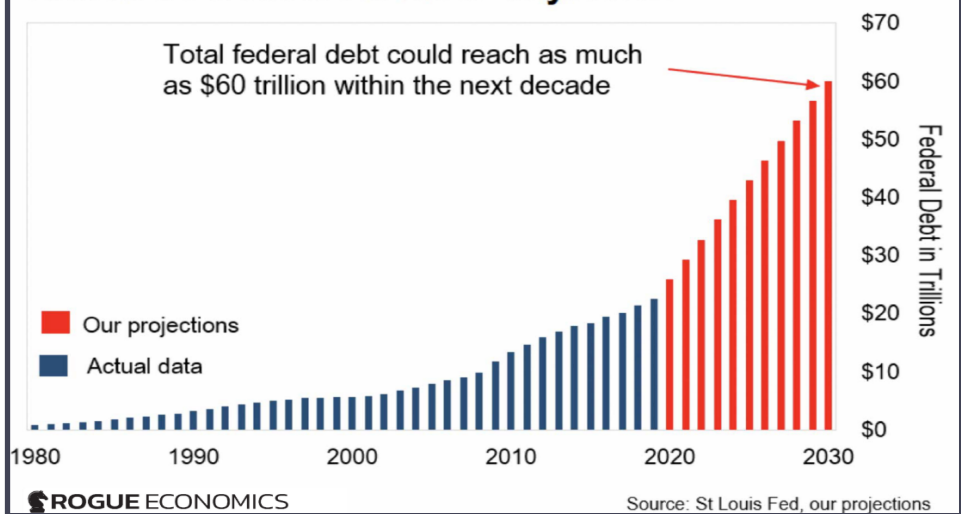
All that being said — Covid 19 was not the cause of our debt problems, but merely the pin that pricked the bubble.

Will foreign investors begin to pull money from our markets and cause us to go looking for a new crypto currency to tax? Things are pointing toward quite a volatile time both in the markets and social unrest culminating in the November election. Without a clean election we could be in for more chaos.

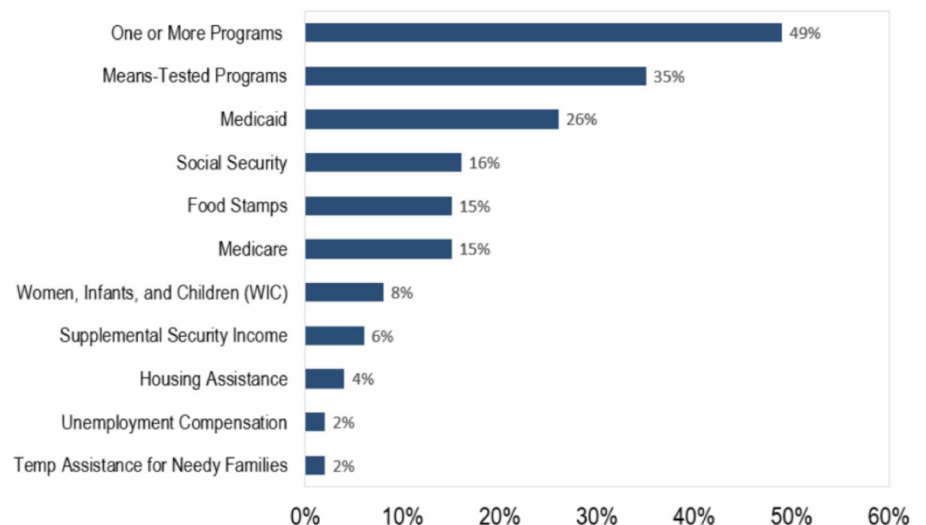
There is much to reconcile over the next few months as we cope with Covid 19 and decide what permanent social and economic damage has been done. We have seen some good things come out of the social engineering. Many are working from their homes and may continue to do so both providing more hands-on parenting and family communication. It could also allow the government to curtail some of the failed programs aimed at social engineering of the family. Every time we add a social program to our system we never seem to review, curtail or combine other unnecessary programs.

Congress is marching more stimulus through the legislative gauntlet which we expect will be approved shortly.

America's Debt Is About to Skyrocket

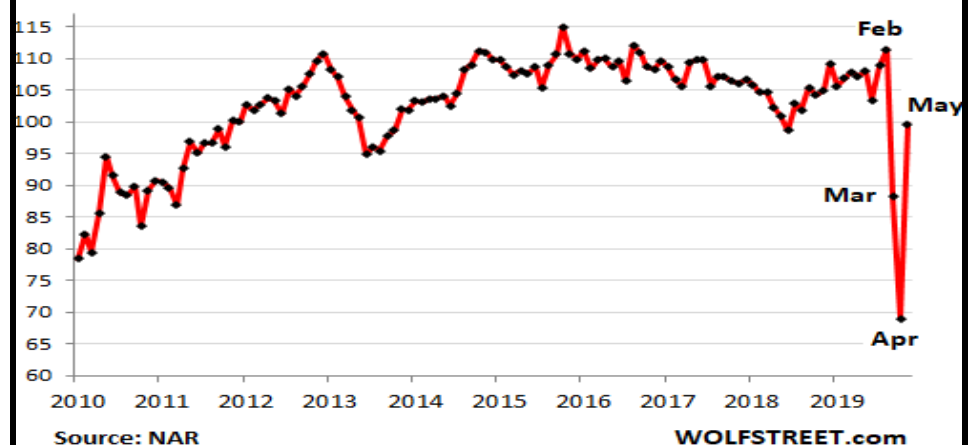


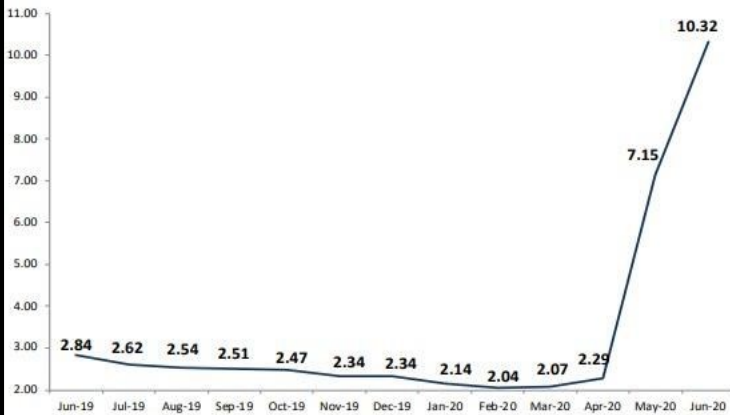
A Nation of Government Dependents?



Pending Sales of Existing Homes Bounce Off Low

Pending Home Sales Index, NAR



GRAPH 1: PERCENTAGE OF CMBS MARKED AS 30+ DAYS DELINQUENT

Source: Trepp

Also running against the clock are delinquent mortgages. Businesses like restaurants, bars, theaters, hotels, gyms, movie theaters, or shopping malls — any place where American's gather are running behind on their rent payments.

The Wall Street index NAS100 reveals the dichotomy of the equity market vs the overall health of the economy. The stock market and economy are not generally mutually exclusive as the market is one data point that indicates how the economy is doing and may perform in the future. We measure the performance of the economy using tools like unemployment trends, manufacturing, production, housing cycles, bank loans, trade and deficits. Covid 19 has corrupted those measurements with no end in sight. Because the government shut down the economy in response and instituted programs they are still fine-tuning, we see no end to deficit spending.

The Fed has announced lowering the fed funds target to 0% and restricting dividend payouts and share repurchases as the result of many of the "too-big-to-fail" banks failing their annual stress test. This leaves anyone with savings or retirement money no alternative but to invest in the stock market.

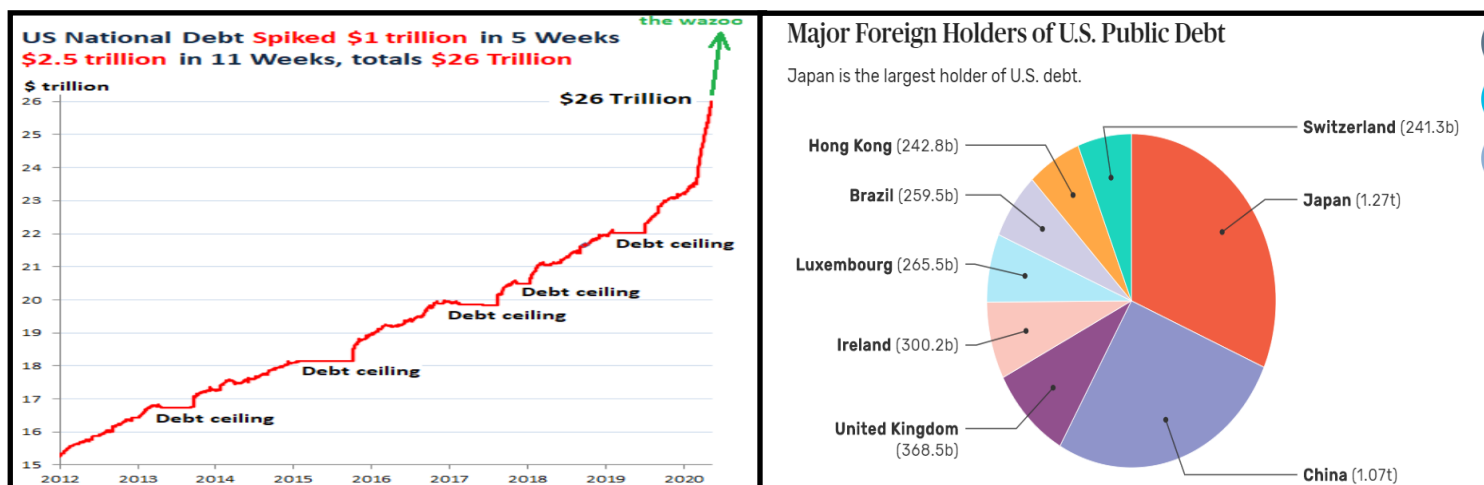
CHART 1: DELINQUENCY STATUS

Current	89.53
30 Days Delinquent	4.07
60 Days Delinquent	3.22
90 Days Delinquent	0.29
Performing Matured Balloon	0.15 ¹
Non-Performing Matured Balloon	1.31
Foreclosure	0.33
REO	1.10

¹ Loans that are past their maturity date but still current on interest are considered current.

Source: Trepp

**Chart 6: US financial assets now 5.6 times GDP**



Never has our financial system been in such a dangerous position. The election will tell a lot about our system, our country, and our direction as a republic.

The foundation of our republic is predicated upon equality under the law and our rights coming directly from a sovereign God. We, the people, need to look and see what they are teaching our children in school, see what our children are playing on their iPads and get involved. Remember, "One nation, under God, with liberty and justice for all."

Pray, vote, pray.

John Ford CFP™

Herbert R. Smith & Company has been providing investment advice to institutional and wealth-management clients for almost 50 years. Our expertise in managing assets has assisted our clients in meeting their financial goals without moving beyond reasonable risk guidelines. Our mission statement is:

To provide professional investment advisory services helping clients accumulate and maintain financial wealth through conservative long-term investment strategies.

Please call us if you have any questions or concerns:

940-723-5565

