A View from the Tower

Second Quarter Summary 2020

Chuck Maggiorotto, CFA, CFP®
President & CEO

Marcus A. Scott, CFA, CFP®
Chief Investment Officer

Vicki Hohenstein, CFA
Senior Vice President

Billie McClain, CFA
Senior Vice President

Paul Raccuglia, CFA
Senior Vice President

Jonah Jones, CFA
Vice President

Chance Pierce
Vice President

Andrew Bradshaw
Portfolio Manager

Christopher Wolff, CFP®
Vice President
Financial Planner

Nick Weber
Portfolio Manager Associate

1 Ward Parkway
Kansas City, MO 64112

816-931-4060

After a tumultuous first quarter, the second quarter was not without some highs, lows and interesting circumstances on multiple fronts, but overall the financial markets bounced back with remarkable resilience. The primary storylines continued to focus on the ongoing battle with Covid-19, not only from a financial perspective in light of the mandated economic and social shutdown, but also certainly from a health related one as well. That being said, during the quarter, the following were some key coronavirus specific related items:

- Testing ramped up dramatically.

- Numerous vaccine candidates were initiated and in some cases progressed at an unprecedented speed.

- Treatment options evolved and increased in number, including the use of a drug from Gilead Sciences (Remdesivir), the steroid Dexamethasone and the Mayo Clinic's experimental use of plasma containing coronavirus antibodies.

- Post initial "re-openings" across the country, case levels in some areas increased significantly, even surpassing previous high water marks in some locations. However, the level of severe cases has not seemed to follow suit as the average age of those infected has dropped materially.

- Across the globe, the virus seems to be showing little if any sign of slowing as a shift has occurred from China and Europe to various other countries including Brazil, India and Russia.

Weekly trends in U.S. cases are depicted below. The incidence of positive cases slowed dramatically from April through mid-June (from approximately 20% to 5%), but we have seen this trend start to increase again (most recently approaching 8%).

Week Ended	Avg. Daily Cases	% chg	Avg. Daily Tests	% chg	% Positive Cases
3/15/20	448		3,552		12.6%
3/22/20	4,267	*851.4%*	28,604	*705.3%*	14.9%
3/29/20	15,559	*264.7%*	95,530	*234.0%*	16.3%
4/5/20	27,745	*78.3%*	126,063	*32.0%*	22.0%
4/12/20	31,947	*15.1%*	148,996	*18.2%*	21.4%
4/19/20	29,191	*-8.6%*	150,697	*1.1%*	19.4%
4/26/20	31,789	*8.9%*	224,048	*48.7%*	14.2%
5/3/20	28,709	*-9.7%*	231,522	*3.3%*	12.4%
5/10/20	25,645	*-10.7%*	276,349	*19.4%*	9.3%
5/17/20	22,934	*-10.6%*	358,862	*29.9%*	6.4%
5/24/20	22,894	*-0.2%*	380,700	*6.1%*	6.0%
5/31/20	21,248	*-7.2%*	396,087	*4.0%*	5.4%
6/7/20	24,326	*14.5%*	471,036	*18.9%*	5.2%
6/14/20	22,111	*-9.1%*	471,338	*0.1%*	4.7%
6/21/20	27,776	*25.6%*	507,173	*7.6%*	5.5%
6/28/20	39,981	*43.9%*	557,604	*9.9%*	7.2%
7/5/20	50,532	*26.4%*	661,051	*18.6%*	7.6%

Source: Worldometers.info/coronavirus; covidtracking

On the economic front:

- An alphabet soup concerning potential shape of recovery options was debated: “V”, “U”, “W”, “L”, and others.

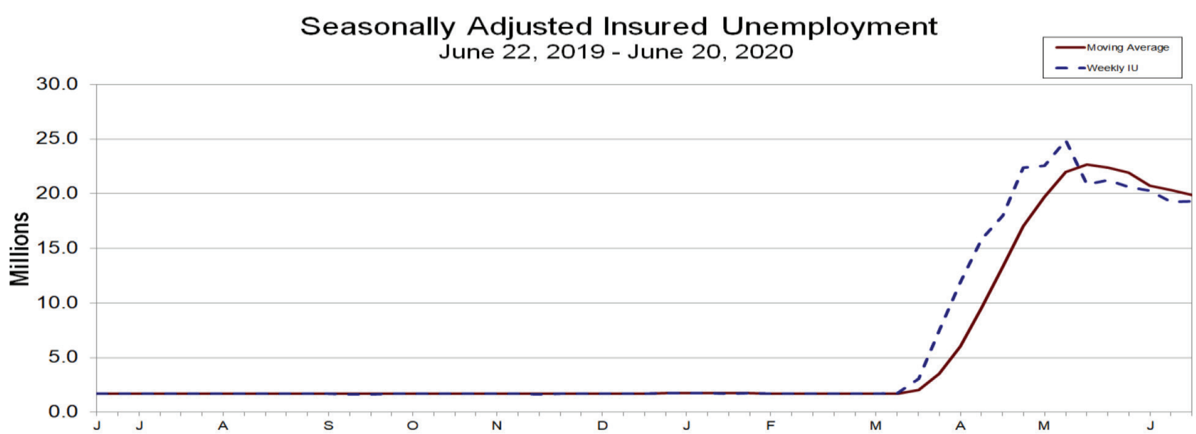
- Several well-known companies filed for bankruptcy, including Hertz, Neiman Marcus, J. Crew, Dean & Deluca, Cirque du Soleil and Chuck E. Cheese. Although several of these businesses were struggling somewhat prior to the shutdown, it should be noted that this is a rather long list in a short period of time, with the expectation that it will likely get even longer by year end.

- Conversely, multiple areas benefited from the change to the “stay at home” environment as needs changed. These “winners” included Amazon, Zoom and various exercise and outdoor activity providers.

- The passage of the Cares Act in late March provided a significant level of stabilization aspects, including those associated with the very popular Paycheck Protection Program (PPP). Another round of stimulus is expected to be passed by early August.

- To preserve the critical flow of credit, the Federal Reserve broadened its purchases to include various types of fixed income securities, including high yield bonds.

- Approximately 40 million jobs in the United States were lost (please find a chart of weekly unemployment claims below), pushing the unemployment level to 17.1%, vs. 3.5% at the start of the year, before falling back to 13.4%. The question is how many lost jobs will actually be temporary in nature. Also, many larger companies, like airlines, have held off from instituting layoffs. All this being said, many prognosticators are looking for a 9.5% level by yearend and 6.5% by the end of 2021.



source: https://www.dol.gov/ui/data.pdf
Or the department of labor

- In April, oil took center stage as the price of this commodity was extremely volatile due to the fall off in demand, even resulting in a unique negative pricing situation at one point.

- Trade tensions with China resurfaced, but in a turnaround from earlier in the year, seemed to take a back seat to other issues.

- The S&P 500 had its best quarter since the fourth quarter of 1998, up over 20%. The Dow Jones Industrial Average, domestic small cap stocks and international equities all had strong quarters as well.

As we move forward, in addition to the unemployment question, consumer and capital spending will be critical. In regard to the former, it has been well documented that the U.S. consumer has been the backbone of our domestic economy, encompassing approximately 70% of Gross Domestic Product (GDP). Although confidence and spending patterns took significant hits due to the mandated shutdown, it seems like a bottoming process may have taken place and pent up demand is leading to increased activity as communities across the country have engaged in reopening phases. The higher the level of health safety, the greater likelihood of increased tailwinds on this front. In regard to capital spending, traditional categories may be supplemented by moves driven by the new remote work environment. One could certainly expect significant capital investments as offices, retail spaces, etc. implement methods to reduce the risk of virus spreading.

Suffice it to say, it would be an understatement to comment that a lot has transpired over the first half of 2020 and it would seem safe to say there will be more peaks and valleys on multiple fronts ahead. Although we are not yet "out of the woods" from an economic standpoint, with the Federal Reserve and the U.S. government looking to employ every lever at their disposal, we believe a return to as normal an environment as reasonably possible (i.e. pre-February/early March levels) depends on the trajectory of Covid-19 and medical breakthroughs needed to keep it as minimized as possible. This may take some time, and include alternating periods of optimism and pessimism, particularly in the short-term. However, from a longer-term perspective, it seems like the incredible, all-out effort to corral this disease will eventually provide the outcomes needed to do so.

All of us at Country Club Trust Company/Tower Wealth Managers, along with the entire Country Club organization, hope that you and your families have been coping as well as possible and will continue to do so. Please be assured that we continue to work diligently in a social distancing mode, remaining fully capable to provide the level of service you have come to expect and deserve. We want to be of assistance in any way we can. Should you have any questions, we are always here for you.

Thank you and take care!