



WEEKLY MARKET COMMENTARY

For the Week of May 26, 2020

The Markets

Stocks were mixed Friday as investors weighed rising trade tensions between China and the U.S. and uncertainty about the pace of an economic recovery from the coronavirus. Frictions rose after China announced new security measures on Hong Kong and U.S. senators introduced a bill to sanction Chinese officials and agencies. Still, all three major indices posted weekly gains. For the week, the Dow rose 3.43 percent to close at 24,465.16. The S&P gained 3.27 percent to finish at 2,955.45, and the NASDAQ climbed 3.48 percent to end the week at 9,324.59.

Returns Through 5/22/20	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	3.43	-13.40	-2.68	7.91	8.69
NASDAQ Composite (TR)	3.48	4.36	21.58	16.21	14.15
S&P 500 (TR)	3.27	-7.77	5.58	9.43	9.02
Barclays US Agg Bond (TR)	0.35	5.23	10.49	5.10	4.03
MSCI EAFE (TR)	1.41	-17.27	-7.97	-1.57	-0.31

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond, NASDAQ and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. (TR) indicates total return. MSCI EAFE returns stated in U.S. dollars.

Biggest Yet — The House released the \$3 trillion, 1,815-page Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act on May 12. Congress has previously passed four bills between March 6 and April 24 to counter the economic impact of the COVID-19 pandemic (source: House of Representatives, BTN Research).

Student Loans — On page 1,400 of the 1,815-page HEROES Act is a provision that would forgive up to \$10,000 of every federal student loan (source: HEROES Act, BTN Research).

We'll Need to Borrow a Lot of Money — After seven months of fiscal year 2020, i.e., the 7 months through April 30, the government's budget deficit to date is \$1.481 trillion, more than the nation's all-time record deficit for a single fiscal year of \$1.413 trillion from fiscal year 2009 (source: Treasury Department, BTN Research).



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WEEKLY FOCUS – Considering a Roth Rollover in 2020

Roth IRAs are popular because they have no required distributions, their earnings grow tax-free and withdrawals are tax-free, subject to certain requirements. Income restrictions limit who can open a Roth, but since 2010, anyone – regardless of income – has been able to convert assets from a traditional IRA to a Roth IRA. Unique circumstances in 2020 have more investors now considering Roth rollovers.

Legacy planning: The SECURE Act passed last December increased Roth IRAs' popularity in estate planning. The legislation eliminated the stretch IRA, which allowed children and grandchildren to withdraw money from an inherited IRA gradually over their lifetimes. Under the SECURE Act, non-spouse relatives must now drain an inherited IRA within 10 years. A Roth IRA can reduce the potential tax impact.

Tax rates: Historically low tax rates mean individuals rolling an IRA into a Roth this year could pay less taxes than in the past. This may not be true in the future as financial analysts expect taxes to eventually increase to recoup some of the trillions of dollars the federal government is spending under the COVID-19 stimulus packages.

Drops in stock values: Along with lower tax rates, converting an IRA to a Roth during a market downturn can reduce liability since taxes due are based on the value of the IRA at the time of conversion. If you convert when your IRA investments are depressed, your tax hit will be smaller. If your investments increase in value after the conversion, your gains won't be taxed.

Decisions regarding Roth rollovers can be complex, and it's best to consult a professional for advice. For example, a rollover might not make sense if your tax bracket may be lower in the future or if you need to use money from the IRA to pay the tax liability from converting. And calculating taxes resulting from a conversion gets particularly complicated if you own multiple IRAs, especially if some are pre-tax and others are post-tax, since the IRS will treat all your IRAs as one when calculating taxes owed.

Previously, IRA owners could change their mind about a rollover, but conversions are now permanent. So please call our office if you're considering a Roth rollover this year. We'll be happy to work with your tax professional to discuss considerations and options.

Securities America and its financial professionals do not provide tax advice. Coordinate with your tax advisor regarding your specific situation.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright May 2020. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI#3100369.1