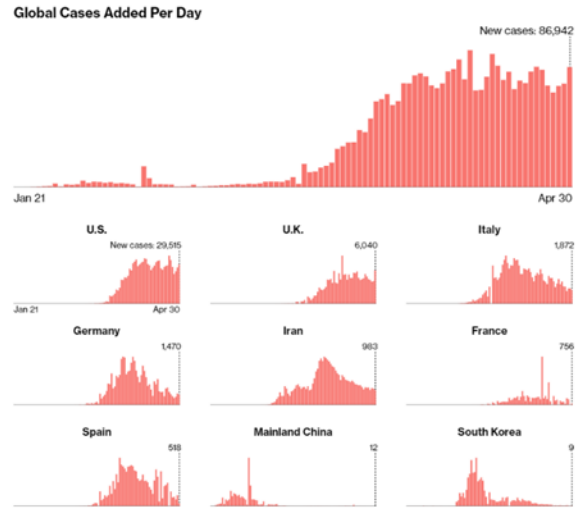
May 1, 2020

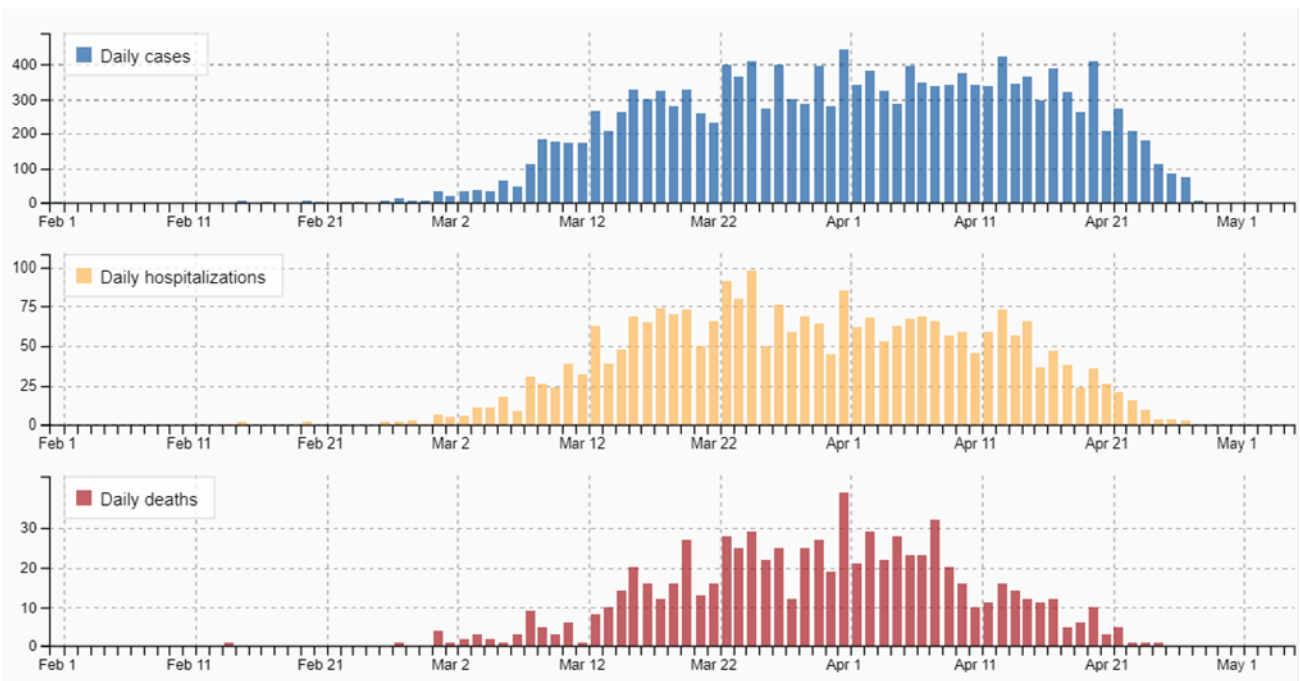
3.3 million coronavirus cases worldwide (+22% from last week)
234,000 deaths (+22% vs. last week)
1.1 million US cases (+27% vs. last week)
63,000 US deaths (+26% vs. last week)
6.2 million tested in US (4.6M last week)



Dear Clients and Friends,

Another week. Another month. A slowing in the *rate of growth* in cases and deaths, but globally and in the US, cases are leveling off at a high level. Some progress in the science. A shift in the political winds. Earnings reports from US corporations gave us some insight into how the economic shutdown is affecting them. Millions more added to the unemployed. A good month for stocks.

For a more optimistic look, Colorado is showing a dramatic decrease in new cases, hospitalizations, and deaths.



It is a little easier to relate to at the state or local level, and it is also easier to understand why some communities are angry about the economic lockdown. For some, they see very few cases. Of course, for those personally affected this is not about statistics. It's about their wife, or mother, or friend. My Mom lives in Oklahoma and everyone there knows someone that was affected by the Oklahoma City bombing. I imagine this will be the same. In the United States, there have now been more deaths from COVID-19 than American lives lost in the Vietnam war. We will all be touched by it.

There was some positive news in the results of tests on Gilead's drug Remdesivir. The government funded study found that patients who took Remdesivir recovered faster than patients who did not. It's not a home run, but the data shows it has a "clear-cut, significant, positive effect" said Dr. Fauci. He likened it to the early breakthroughs in the fight against AIDS.

At least 10 states eased restrictions today. The sweeping orders that kept nearly nine of ten Americans at home are giving way to a patchwork of state and local measures. Millions of people will begin returning to restaurants, movie theaters and malls in coming days, in states such as Texas and Georgia. Other states, like Colorado, will begin re-opening but with more restrictions. We won't know how it's going to work until some time passes, but we can expect flare-ups. In Sweden, which did not impose lockdown measures, the death rate per 100,000 people was far higher than other Nordic countries. While many cities and states are seeing declining rates of cases, others such as Massachusetts, Worthington, Minnesota and Green Bay, Wisconsin are seeing increasing cases. It's likely that we won't have a vaccine for a year or more, so we're going to have to live with this for a while.

Armed protesters entered the Capitol in Michigan to oppose stay at home orders. Somehow this has turned into another way to divide our country. Conservative groups and leaders have been nurturing protests and applying both political and legal pressure to overturn state and local orders intended to stop the spread of the Coronavirus. Meatpacking plants have been ordered to remain open despite more than 4,000 workers being infected. In California, Governor Newsom shut down beaches in Orange County after people ignored distancing rules. Huntington Beach City and Newport Beach are expected to sue the state over the ban.

Needing someone to blame, China is likely to become the world's scapegoat. Republicans and Democrats, Americans and Europeans, have all concluded China concealed the severity of the Coronavirus and continues to deceive the world. Conspiracy theories are circulating that the Chinese deliberately unleashed the virus. China bashing will undoubtedly be an important political issue in the election, and a new cold war is brewing. Don't be surprised if new tariffs are imposed and a new trade war is started. This could have negative implications for the economic rebound and inflation in the future.

Earnings reports from several companies gives us some insight into how the economic shutdown is affecting different businesses. Apple reported revenues of $58.3bn last quarter, beating the consensus estimate by 6%. Earnings were 10% ahead of consensus. Inventory levels remained normal, capital investment continues, and even share buybacks and dividends remain unchanged. The only negative was they withdrew guidance about the next quarter, which disappointed analysts.

McDonalds reported US revenues were down 13% for March, and mid-March through mid-April was down 25%. International sales were down even more. Management noted that sales are improving in recent weeks as people begin venturing out of their homes and using their stimulus checks.

Amazon reported revenue well above consensus forecasts. Their cloud revenue grew 33% year over year, and both their retail and food businesses have accelerated as people are shopping from home. Indeed, it is one of the few companies whose financial estimates have improved since the start of the year. However, they have hired 100,000 workers already and plan to add another 75,000. Additionally, they said they may lose money in the current period as they spend money to keep up with demand and invest billions in protecting employees. A noble, if not profitable, decision.

On the other end of the spectrum, Royal Dutch Shell announced a 66% cut in its dividend, the first cut since WW2. While still profitable in the first quarter, earnings were down 35% from the prior year. The dividend cut is considered prudent in order to preserve capital. And interestingly, Shell has committed to an ambitious goal of being a zero net carbon company by 2050. How an oil and gas company can do that, I don't know.

It was a good month for every asset class except oil.

	April	Year to Date
Global Balanced (VSMGX)	7.3%	-6.5%
Global stocks (ACWI)	9.8%	-13.3%
US Large Caps (SPY)	12.7%	-9.2%
US Small/Mid (VXF)	13.8%	-16.7%
Foreign stocks (ACWX)	6.4%	-18.5%
US Bonds (AGG)	1.9%	4.9%
Gold (GLD)	7.3%	11.1%
Commodities (GCC)	3.1%	-20.7%
Oil (USO)	-43.2%	-81.3%

After such a strong rally, it would be normal for there to be a correction (and it may be underway right now). Goldman Sachs made this prediction this week, and while I wouldn't put too much into the exact levels or timing, I would agree there is likely to be a pullback. Yesterday, the S&P was down 1%, and today it's off another 2-3%, so it could be the start, but these things can happen fast. The market rose from a low in March of ~ 2300 to almost 3000. A correction of half that gain would be normal… to somewhere around 2600.

It's hard to imagine the stock market returning to the old highs without some fits and starts along the way. The virus isn't completely under control. The lockdowns haven't ended yet. Nobody is going back to work, yet. A Cold War and/or Trade War with China seems likely. And, there's an election coming with the possibility of a complete change in Washington.

We have conversations with Clients every day about whether it is a good time to get more defensive, or more aggressive. I never want to sell into a panic, but the market has now recovered 30% from the low. If you have liquidity needs, it's better to sell today than last month. If you have a long-term horizon, it's still a good time to invest and it may get better in the next few months. We're still looking for opportunities to upgrade the portfolios, and we're finding them. Some industries and companies will do better in the next few years than others.

With things settling down a little, I may wait two weeks before the next update; and if they settle down some more, maybe we can get back to monthly or quarterly. That would be nice. Have a great weekend!

Very truly yours,

Brad Bickham, CFA, CFP®
Partner | Chief Investment Officer

And Your Entire Colorado Financial Mgmt. Team

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The iShares MSCI ACWI ETF (ACWI): *seeks to track the investment results of an index composed of large and mid-capitalization developed and emerging market equities. The fund tracks the MSCI All Country World Index.*

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The SPDR® S&P 500® ETF (SPY): *Trust seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500®Index (the "Index"). The S&P 500® Index is composed of five hundred (500) selected stocks, all of which are listed on national stock exchanges and spans over approximately 24 separate industry groups.*

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Vanguard Extended Market ETF (VXF): *The Fund employs an indexing investment approach designed to track the performance of the Standard & Poor's Completion Index, a broadly diversified index of stocks of small and mid-size U.S. companies. The S&P Completion Index contains all of the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market, except those stocks included in the S&P 500 Index.*

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