

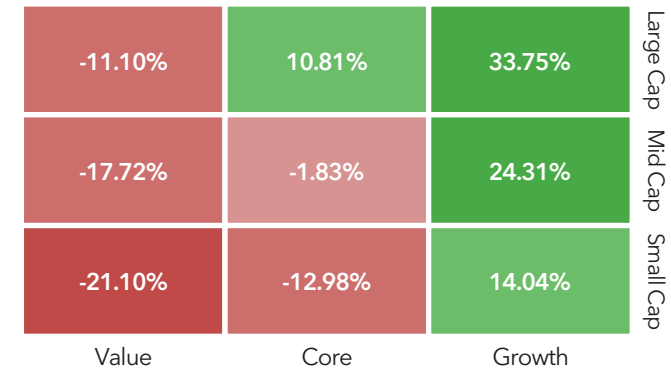
Did stocks really hit a new all-time high?

Stocks have continued their impressive rebound with various averages hitting new highs, or at least coming close. The S&P 500 did set a new high at the end of August, completely erasing the losses from the coronavirus selloff in March. The NASDAQ index, with higher exposure to information technology, has been setting new highs for the past couple of months. However, the Dow Jones Industrial average is still slightly below its highs and small stocks, represented by the Russell 2000, are still about 7% below their February peak.

Investors have bid up stocks in anticipation of continued economic improvement as the coronavirus subsides. Economic data is trending in the right direction, even though we still see millions out of work and certain parts of the economy still effectively shut down. The data should continue to improve with current estimates of 3rd quarter GDP growth +28.9%. This won't completely make up for the second quarter, which was down 31.7%, but equity markets continue to look forward. If Congress can agree on another round of fiscal stimulus, that should help sustain the economic recovery.

It wouldn't be surprising to see stocks take a breather in the next couple months as we approach Election day. But the risk of a substantial correction like we experienced in March is low.

YTD Return % as of Aug 31, 2020



Source: Morningstar Direct

Market Returns

Source: Morningstar Direct data as of August 31, 2020

Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	6.42	5.58	17.04	11.00	11.75
Domestic Equities:	S&P 500 (Large Cap)	7.19	9.74	21.94	14.52	14.46
	Russell 2000 (Small Cap)	5.63	-5.53	6.02	5.03	7.65
International Equities:	MSCI EAFE (Developed)	5.14	-4.61	6.13	2.34	4.72
	MSCI Emerging Market	2.21	0.45	14.49	2.83	8.66
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	-0.12	5.94	5.95	4.28	3.54
	Barclays Muni Short-Interm 1-10 Years	-0.14	3.01	3.16	2.99	2.80
	Barclays Global Intermediate	0.28	5.25	4.94	2.48	2.84

Online Trading Apps – Why You May Want to Proceed with Caution

Many young Americans have taken to online investing with flashy trading apps that make the act of trading feel like a game. However, inexperienced investors may be exposing themselves to trading risks they are unaware of.

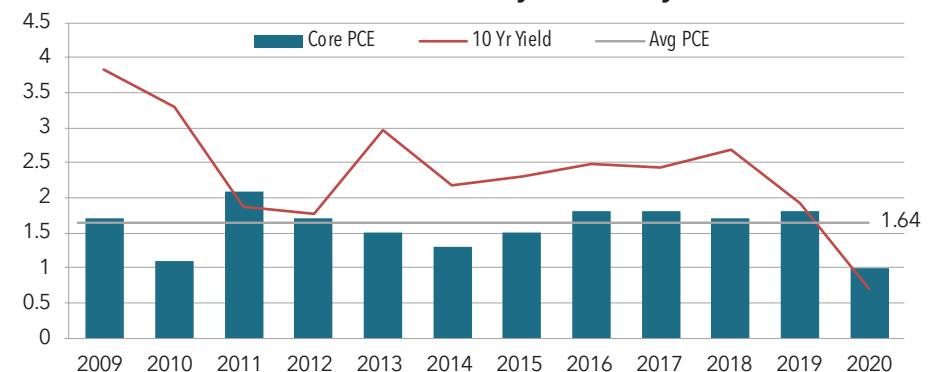
New investors considering opening up an account on one of these apps may encounter potential pitfalls associated with app-based trading. However, there are other options available that may help them meet their financial goals. [Read more from our blog here.](#)

Fed Tweaks Language – Low Interest Rates Here to Stay

The Fed has amended their language on inflation to target a 2% average inflation “over time” which indicates that they are willing to let inflation rise above the 2% target before adjusting monetary policy. As you can see in the chart, inflation has fallen below the 2% target for most of this current economic cycle. This “change” has garnered a lot of attention in the news, but we don't believe this is materially different than what the Fed has already been doing.

The economic situation of high unemployment and low inflation will allow the Fed to keep interest rates low for the foreseeable future. Low interest rates negatively impact bond investors looking for income and pushes more investors to the equity markets for additional return. At this point, we are not making any investment changes based on the Fed news but will continue to evaluate the monetary policy implications stemming from evolving employment and inflation data.

Inflation vs. 10 yr Treasury



Source: FactSet and the Bureau of Economic Analysis (BEA)

Commentary Team:

Rick Frevert, Scott Summers CFA, Matt Veenker CFA, Dave Young

Sources:

Bloomberg, Morningstar, FactSet, Crandall Pierce

*Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

Index Definitions:

Barclays Global Intermediate: Index that measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

FTSE EPRA/NAREIT Global: an index used to track the performance of listed real estate companies and REITS in both developed and emerging markets.

MSCI ACWI ex US: an index that captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,136 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

MSCI EAFE - Developed International: created to reflect the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI EM - Emerging Markets: an index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

The performance data quoted represents past performance and does not guarantee future results. Not FDIC Insured. May Go Down in Value. Not a Deposit. Not Guaranteed by the Bank. Not Insured by any Federal Government Agency. First National Bank - Investment Management is a division of First National Bank of Omaha.

The information, analyses and opinions expressed herein are intended to serve as general information only and should not be relied upon by any individual or entity as advice or recommendations. It is not intended to constitute legal, tax, securities or investment advice.

Indexes shown are market indicators and are for comparative purposes only. They are not meant to represent any actual investment. Indexes are unmanaged and cannot be invested in directly.