August 5, 2020

DCA MARKET OUTLOOK

Current Market View

BUY (SELECTIVELY)!

The US markets and bourses around the world all performed exceptionally well in the second quarter. The month of July was mixed in performance as fears of a re-escalation of COVID 19 and a resulting slow start to economic recovery gave investors pause in their enthusiasm to enter or add to all but a few technology stocks or gold and gold mining related investments.

Our view is hold onto technology, add to any weakness, pullback or profit taking.

HELICOPTER MONEY is just beginning to find its way into the US economy as the FED revs up its lending programs and Congress moves toward additional fiscal stimulus measures. Total US monetary and fiscal stimulus will eventually rise to $10 Trillion. The EU has just authorized just under € 3 Trillion to be injected into the EU economies. This is in addition to approximately € 3 Trillion committed by the ECB in monetary stimulus. There is still resistance to recapitalizing the European banking system, however, there is consensus by most of the participating EU countries. Germany is the key. If this recapitalization occurs, it will provide even more stimulus and a significant, long term boost to Europe and to the world economy. The BOJ remains committed to buying all Japanese government and corporate debt necessary to keep their banking system solvent.

Those that continue to worry about potential inflation will eventually be right. While we note there are certain consumer pricing pressures due to shortages caused by the COVID 19 response by governments around the world, we are concerned by the near-term **DEFLATION** that is knocking on the door. American inner cities, and many cities around the world have been impacted by COVID and heightened tensions around race relations and resulting riots. This creates an urgent need to rebuild infrastructure, retail store fronts, schools and housing in order to reset economies and get them back on their feet. This is why the governmental response has been massive and will need to be even greater in order to be successful.

We believe that the stimulus unleashed by the US and others around the world will continue into 2022-2023 at a minimum. Employment remains the key. The US economy must make substantial progress over the next 24 months. The unemployment rate, which is now hovering in the 10%+ range, will take 2-3 years to once again achieve mid-single digit levels. We assume continuing fiscal and monetary stimulus and a US economy 2.0 that functions similarly to the US economy 1.0. **US 2.0** will incorporate many of the technological advances that are being implemented in this crisis that will drive greater efficiency. Industrial supply chains will return to North America through incentives and necessity. The US must regain its self-reliance.

We remain bullish on the US and overall domestic investment. The shackles are coming off and we believe that the US economy will succeed. We know that we continue to paint an economic boom picture. There are risks, yet our belief is premised on the enormous flow of capital that is just entering the economies. Debt markets are being stabilized and equity markets, though recovering, will broaden to include industrial, manufacturing, transportation and a variety of basic economy sectors in addition to the many

applications of technological innovation. The world economies should benefit, and the US economy could boom.

Tactically, the firm is: 1) broadening its equity exposure, 2) adding new companies across the technology landscape, especially with a software and services orientation, 3) adding to its growing core of medical innovation companies that are both applying technology to the treatment of patients and creating cures through enhanced science and monitoring patients remotely, and 4) managing its cash. Our bond exposure continues to treat us well. We are shortening maturities and reducing exposure to take advantage of what we believe are attractive valuations. Using the DJIA as a reference point, we believe the market may move as low as 24,500 during the summer of 2020, depending upon the pace of reopening the economy as well as the effective containment of COVID-19. It could also move to new highs in 2020 towards 37,500, depending on a positive result to any or all of the aforementioned risks. A look at 2021 suggests to us that the DJIA may be heading toward 42,500 by year-end as earnings could be moving to new highs as 2022 approaches and the markets begin to discount this potential achievement. We are unsure if we believe interest rates are bottoming. A delay in near term recovery could see the US10Yr move to 0.25%. We do not see the US10Yr above 0.75% until mid to late 2021.

DCA continues to make investments in private equity and Venture Capital as it executes on its long-term strategy. Private market opportunities that we are pursuing are beginning to expand and deal flow has returned. Innovation is alive and well and competitive. DCA remains exceptionally liquid, carries a strong balance sheet and is poised to build firm infrastructure in order to enhance its fund management capabilities.

ONWARD!

DCA Asset Management, Inc.