



July 22, 2020

When will we get out of this?

TABLE OF CONTENTS



Weekly Update



Market Outlook



COVID-19 Impact on Markets and the Economy



Portfolio Positioning

Major Developments This Week

- Wave of new hospitalizations in South and West is very concerning.
- Equity market has risen in July by 5% despite negative trends in Covid.
- Lessons being learned over how to mitigate spread need education and compliance.
- Majority of states are now pausing reopening, slowing recovery, not a reversal of recovery.
- Critical monetary and fiscal stimulus nearing completion, expect \$1.5+ Trillion
- Financial markets continue calibrating for the probability of a change in the White House, not yet on Congress
- Vaccines remain an expectation for 2021.

Source: Bloomberg, CNR Research. Equity market July returns reflect the S&P 500 from June 30, 2020 through July 21, 2020.

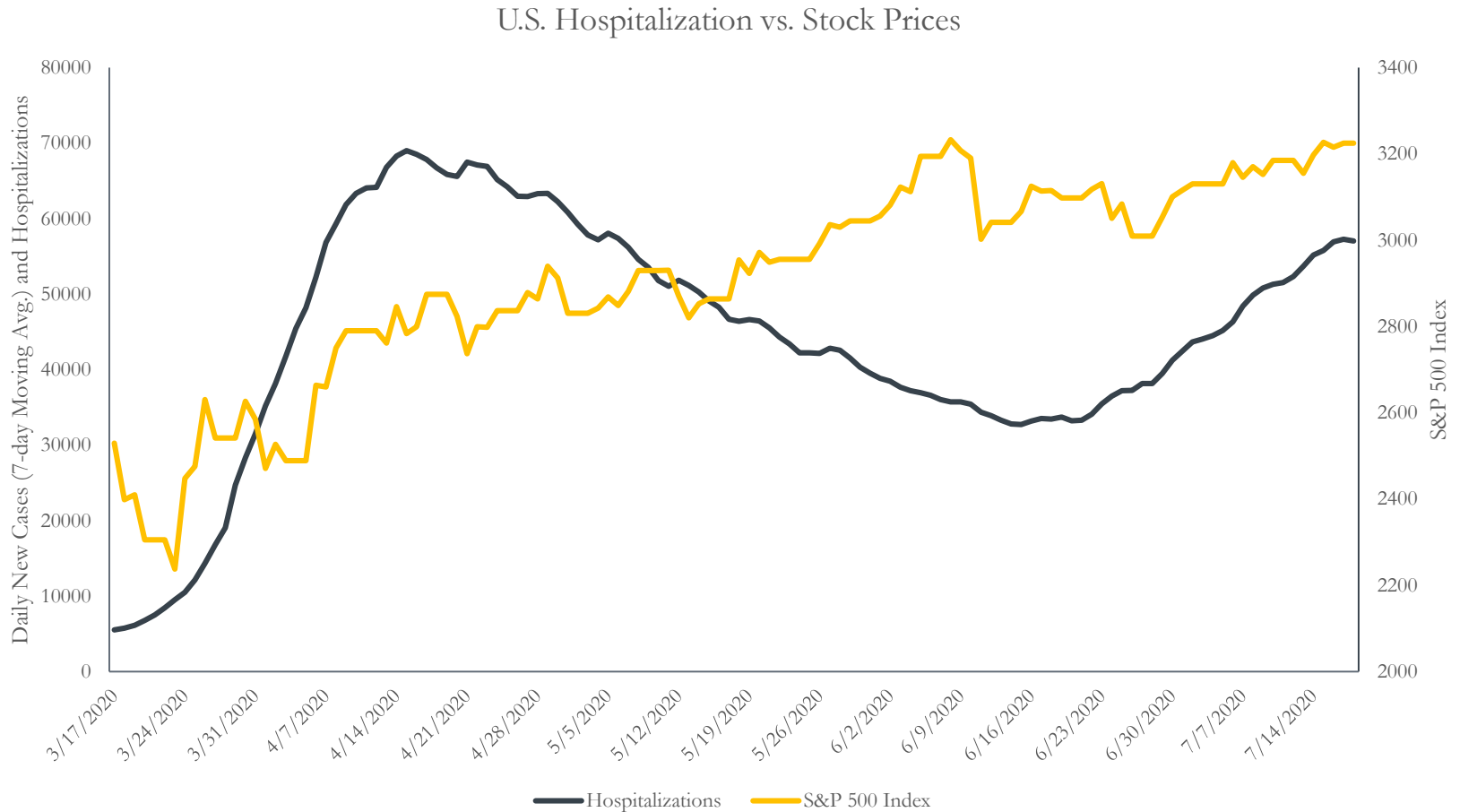
CNR Progress Playbook

Investment Committee considering:

- Stimulus plans need to bridge lost employment income, lost small business revenues and municipalities deficits and extend time line of Fed's monetary support
- We expect a slowing in rates of economic recovery in the 2nd half of 2020 due to the rise in cases across USA.
- The pause in recovery will ultimately increase unemployment and small business bankruptcies.
- The pause pushes the full recovery from late 2021 into 2022.
- Equities continue to presume a year from now corporate earnings will be high and growing.
- Interest rates look set to remain low for years.
- While the Covid news is negative the lessons learned will ultimately foster a more durable return to normal
- Equity Markets continue to rise despite more hospitalizations and fatalities; represents a risk if presumption proves false.
- Other developed economies in Europe and Asia have figured out how to manage Covid. So can the USA.

Source: CNR Research.

Hospitalizations and stock prices not correlated

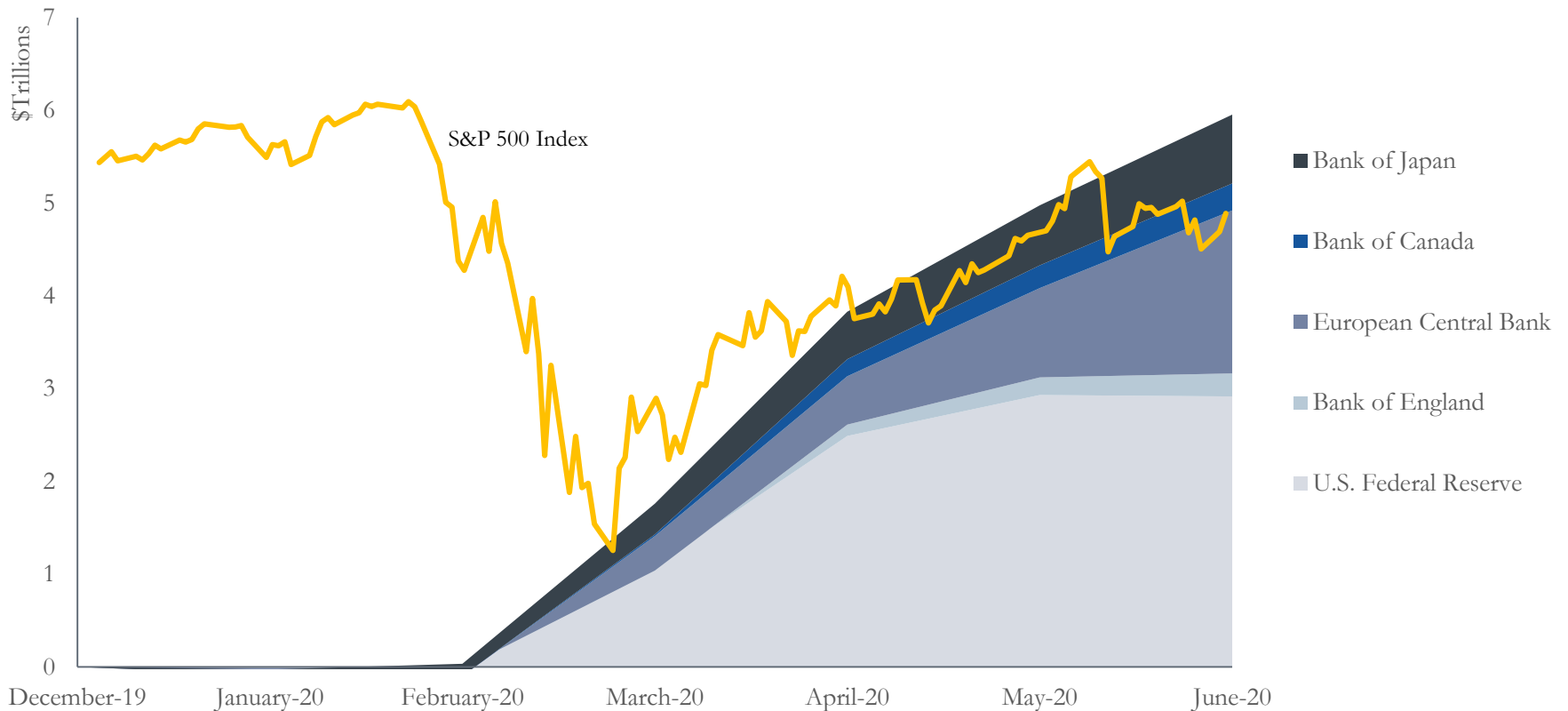


Source: Bloomberg, COVID Tracking Project, covidactnow.org. Actual data from The COVID Tracking Project supplemented by hospitalization estimates from covidactnow.org where data was missing.

Stock market correlated with stimulus

- Fiscal and monetary stimulus drive financial markets
- Bridging the pandemic until whenever...

Funds Injected into Economies by Central Banks



Source: Bloomberg.

For markets, economic positives outweigh COVID negatives

- Despite negative virus news, economy data has largely been positive
- Markets focused on economic trajectory
- There are plenty of negatives about unemployment, loan defaults, etc.

Economic News	Health News
Unemployment drops more than expected	Virus cases increase in the South and West
Retail sales rise more than expected	Hospital capacity tested in some areas
Manufacturing and Services indices show rapid recoveries	State governments pause reopenings
U.S. and Europe pass trillions in gov't spending	State governments close bars and restaurants
Central banks (e.g. the Fed) continue to stimulate the economy	Multiple vaccine candidates post positive initial data

Source: Bloomberg, CNR Research.

Market believes COVID will be a negative for less than 1 year

- Rising COVID-19 infections are a significant health concern in the near-term
- Market believes that one way or another, the health crisis will be largely behind us a year from now

Social Distancing Protocols

- U.S. has lagged in widely adopting effective policies
- Examples: Mask use, testing, tracing, and isolating

Vaccine/Treatments

- Market views eventual vaccine as likely
- Improved treatments will likely decrease health concerns

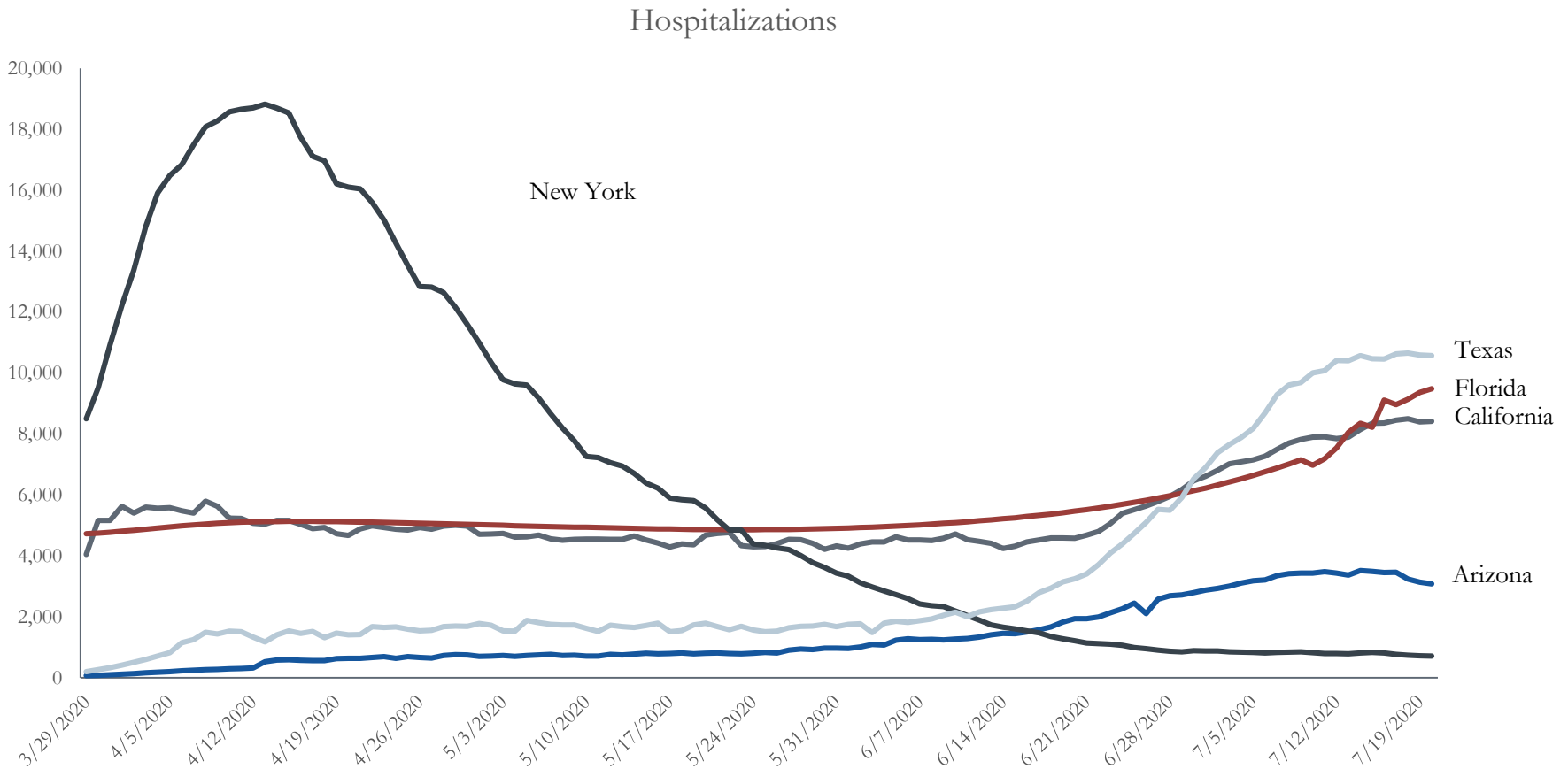
Sufficient Immunity

- Evidence not yet clear, but likely some immunity
- Eventually, enough immunity dramatically reduces spread

Source: CNR Research.

Situation has significantly worsened in several states

Hospitals have been pressured by recent surges

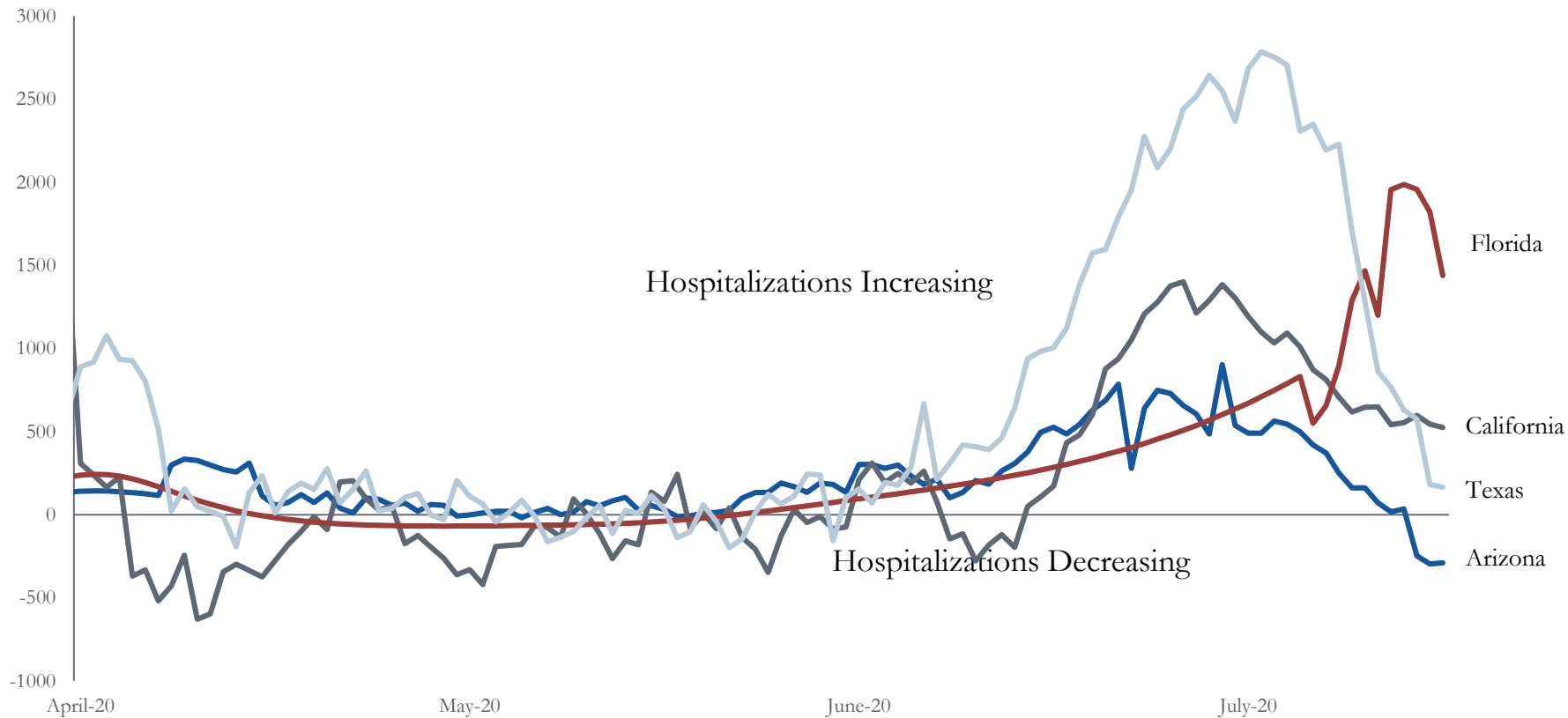


Source: The COVID Tracking Project, state health departments, covidactnow.org. Actual data from The COVID Tracking Project and state health departments supplemented by hospitalization estimates from covidactnow.org where data was missing.

Large states with worst COVID experiences

- Hospitalizations have been increasing, but appear to be at or near a peak
- More people leaving hospital except for Florida

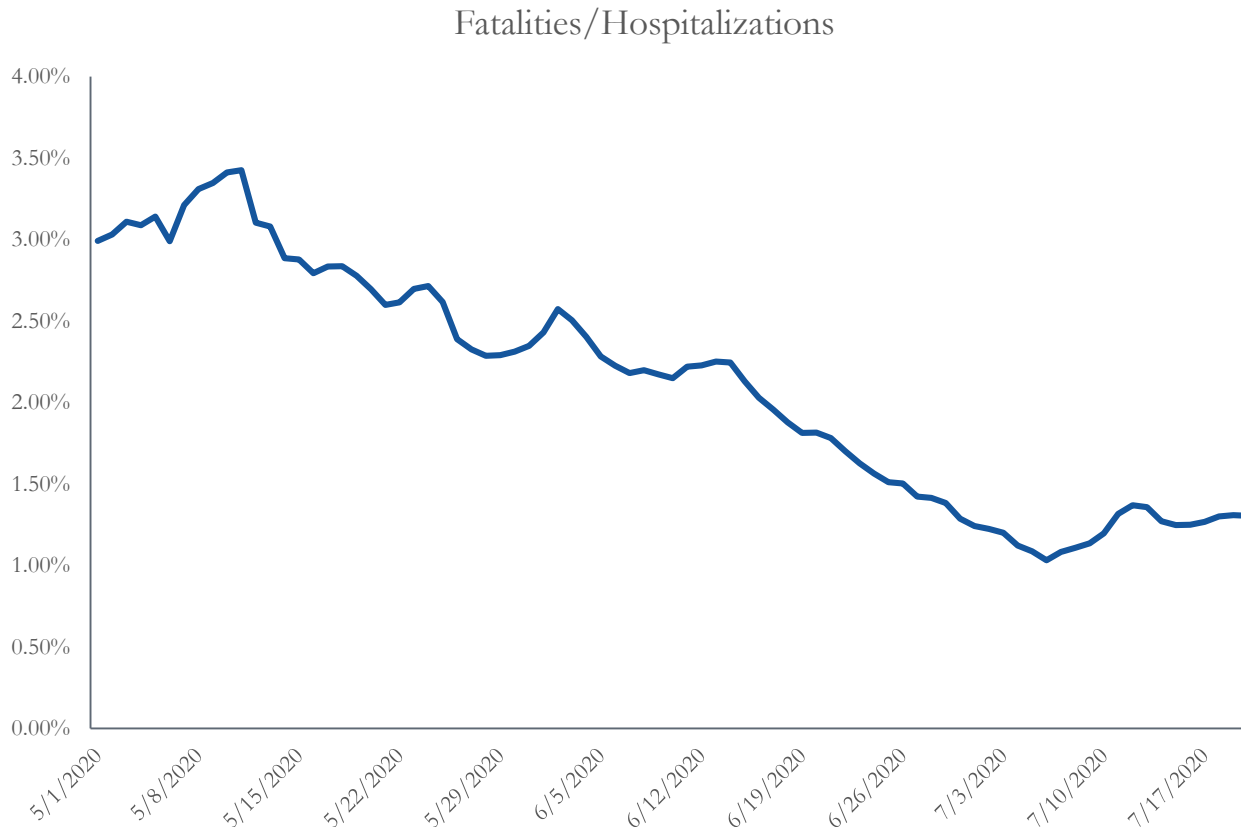
Weekly Change in Hospitalizations



Source: The COVID Tracking Project, state health departments, covidactnow.org. Actual data from The COVID Tracking Project and state health departments supplemented by hospitalization estimates from covidactnow.org where data was missing.

Health outcomes appear to be improving

- Recent rise in cases and hospitalizations has not resulted in the level of mortality seen in April
- Could indicate the effectiveness of improved treatment protocols and medicines

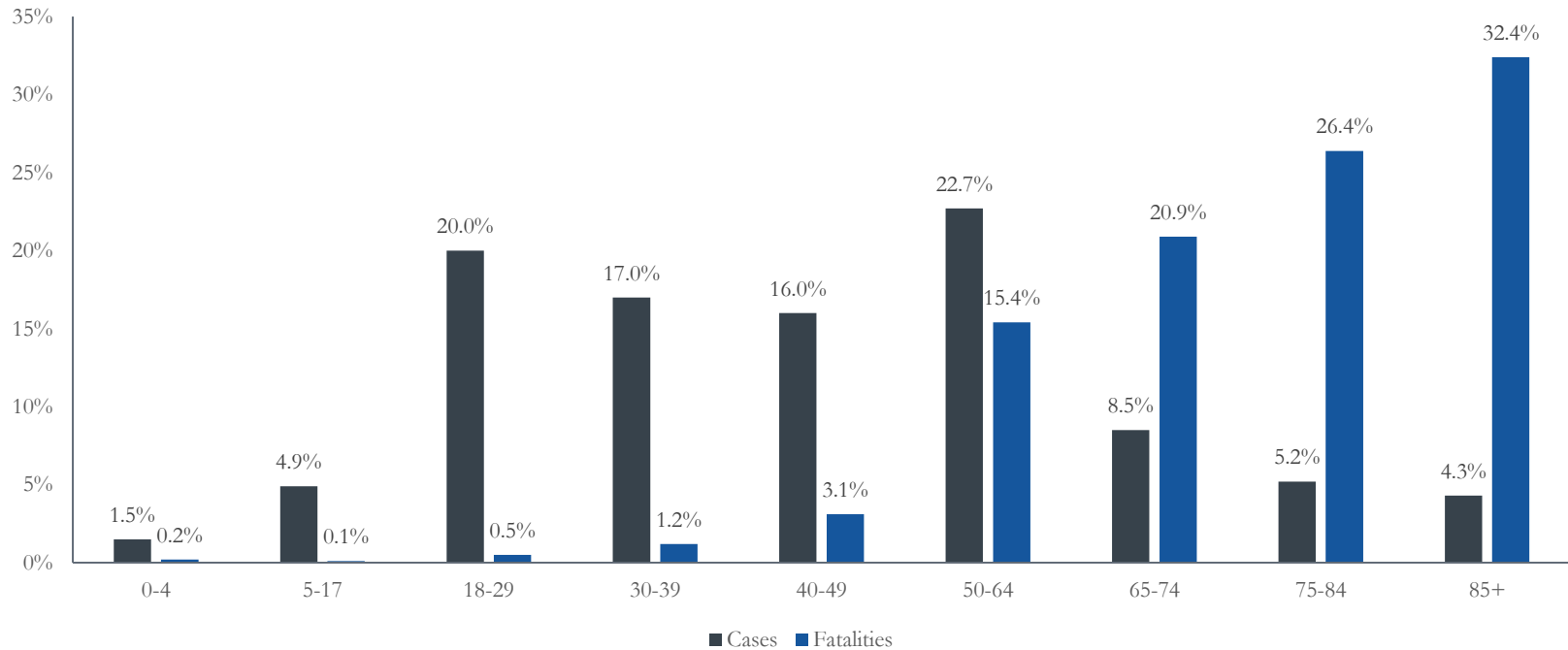


Source: The COVID Tracing Project. Data reflects trailing 7-day average of total U.S. deaths/ current hospitalizations. Actual reported hospitalization data supplemented by estimates from covidactnow.org where data is unavailable.

Cases increasingly focused on less vulnerable population

- Majority of COVID cases have been in age groups that are less at-risk
- Large portion of fatalities connected to long-term care facilities

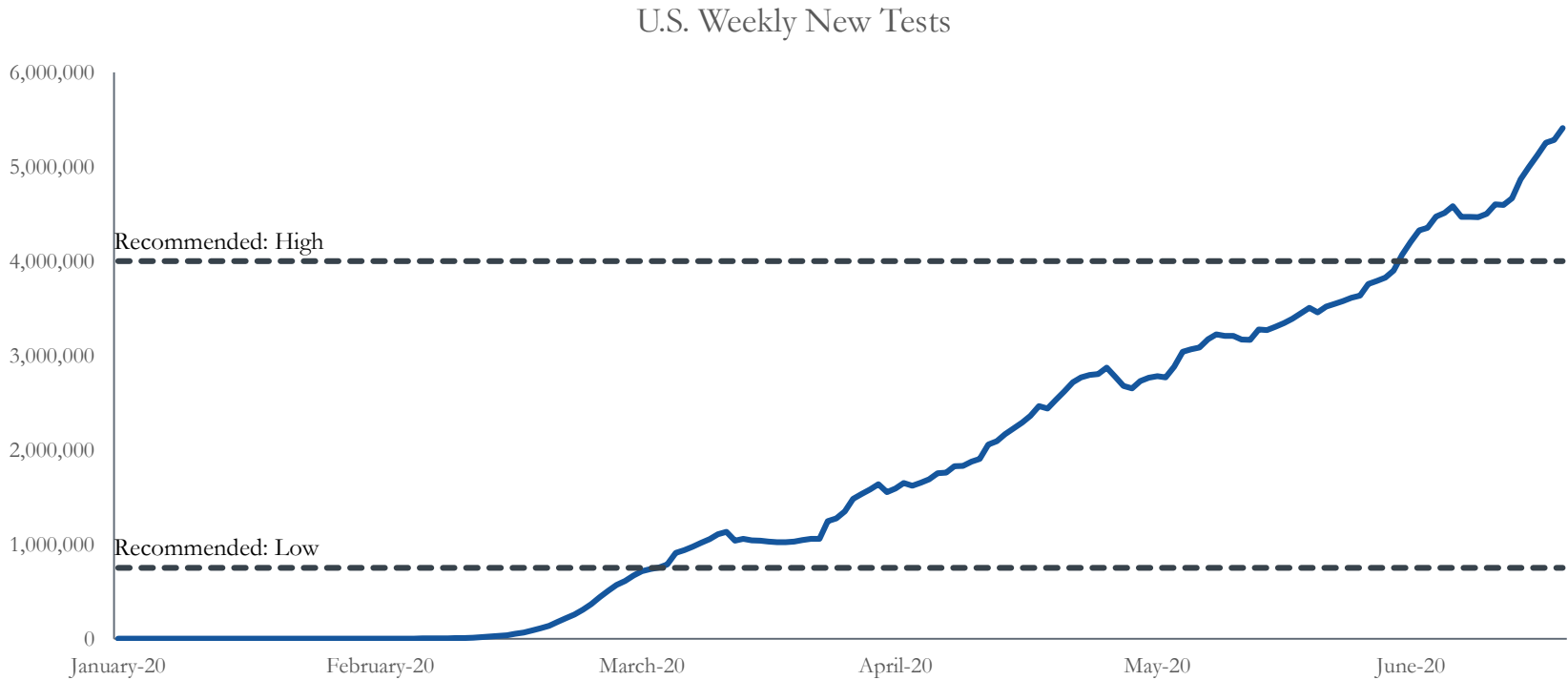
U.S. Percentage of COVID Cases & Fatalities by Age Group



Source: Evercore ISI.

Testing has surpassed initial goals

- Continued progress in total American testing capacity
- Some areas still ramping up
- Approximately 45 million tests conducted in the U.S. so far

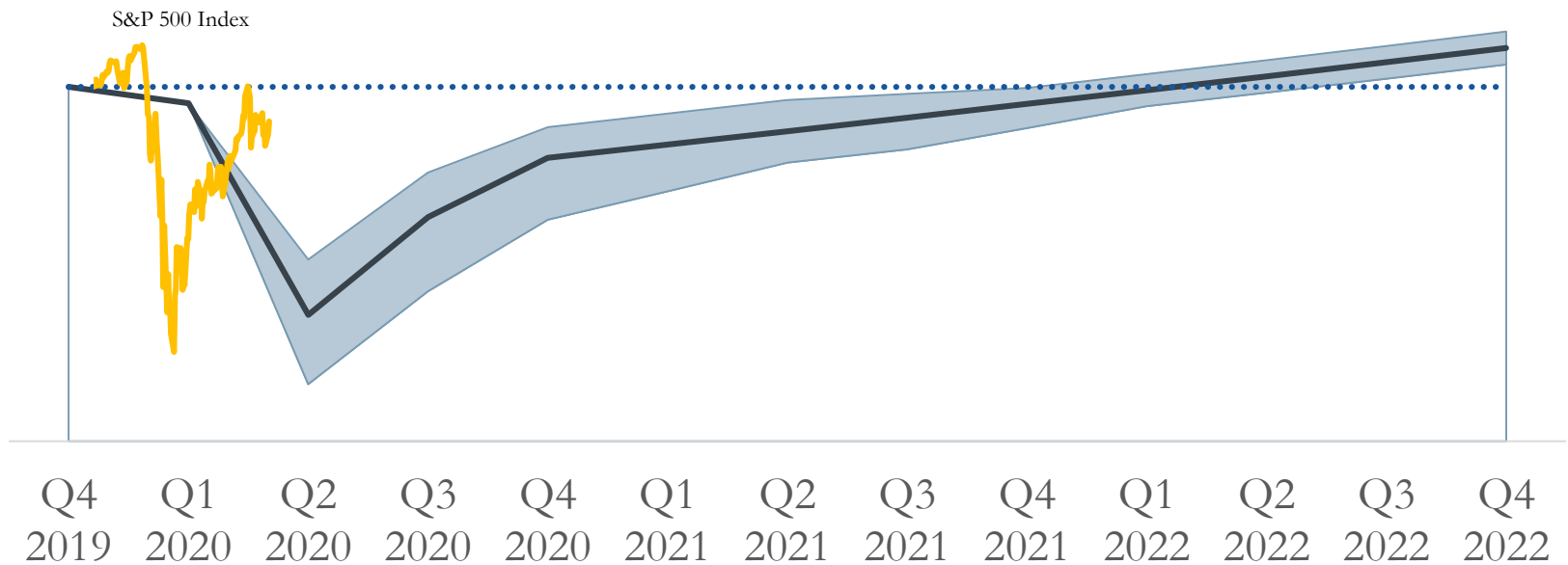


Source: The COVID Tracking Project.

Trajectory of economy is positive, even with some hurdles

- Monetary and fiscal stimulus has led to a positive economic trajectory
- After early reopening gains, progress is expected to slow

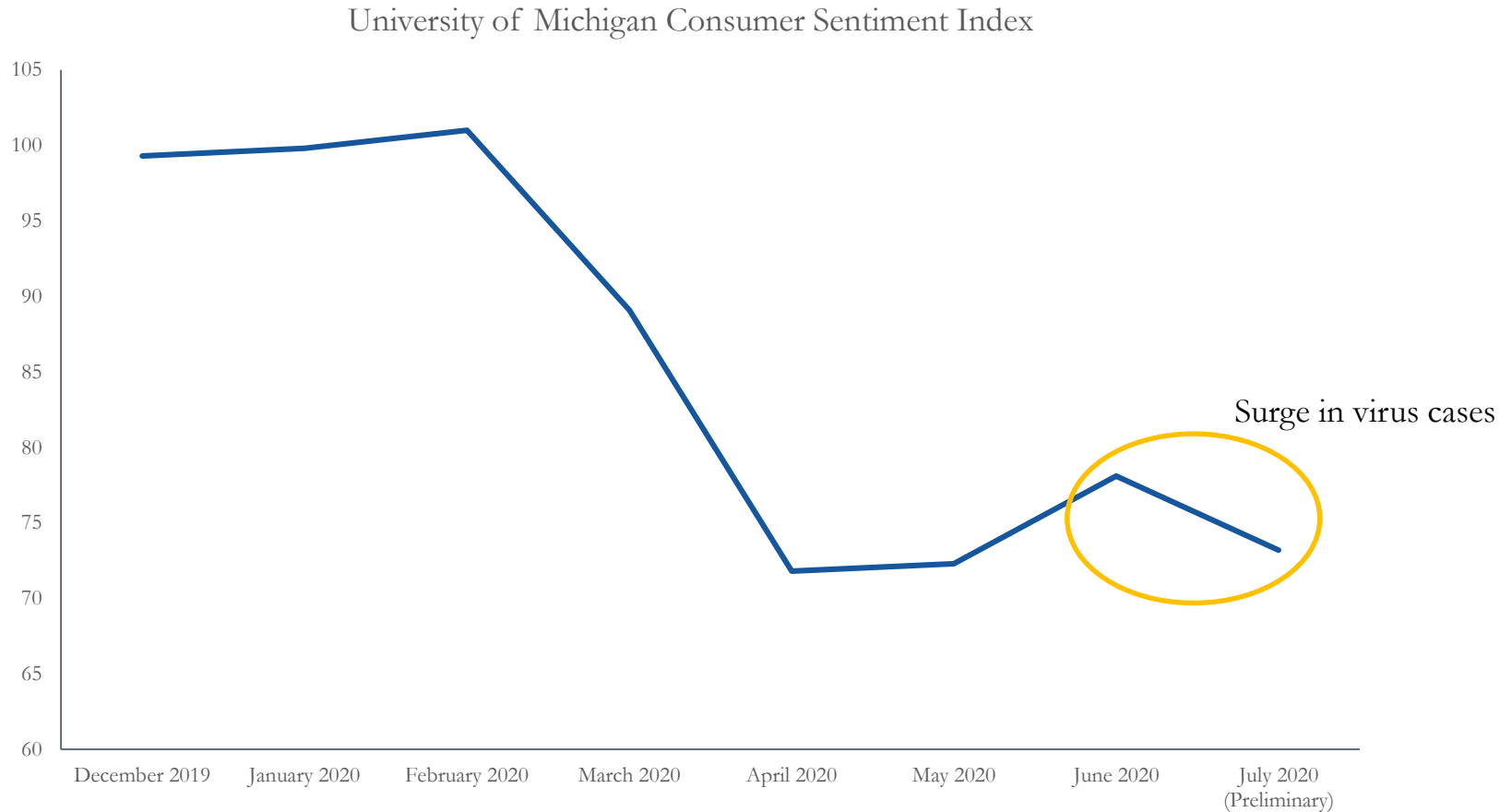
Potential US GDP Path



Source: Bloomberg, CNR Research.

Consumer sentiment dropped during virus surges

- Consumer sentiment had been rising in May and June
- Reverted back to previous lows in July

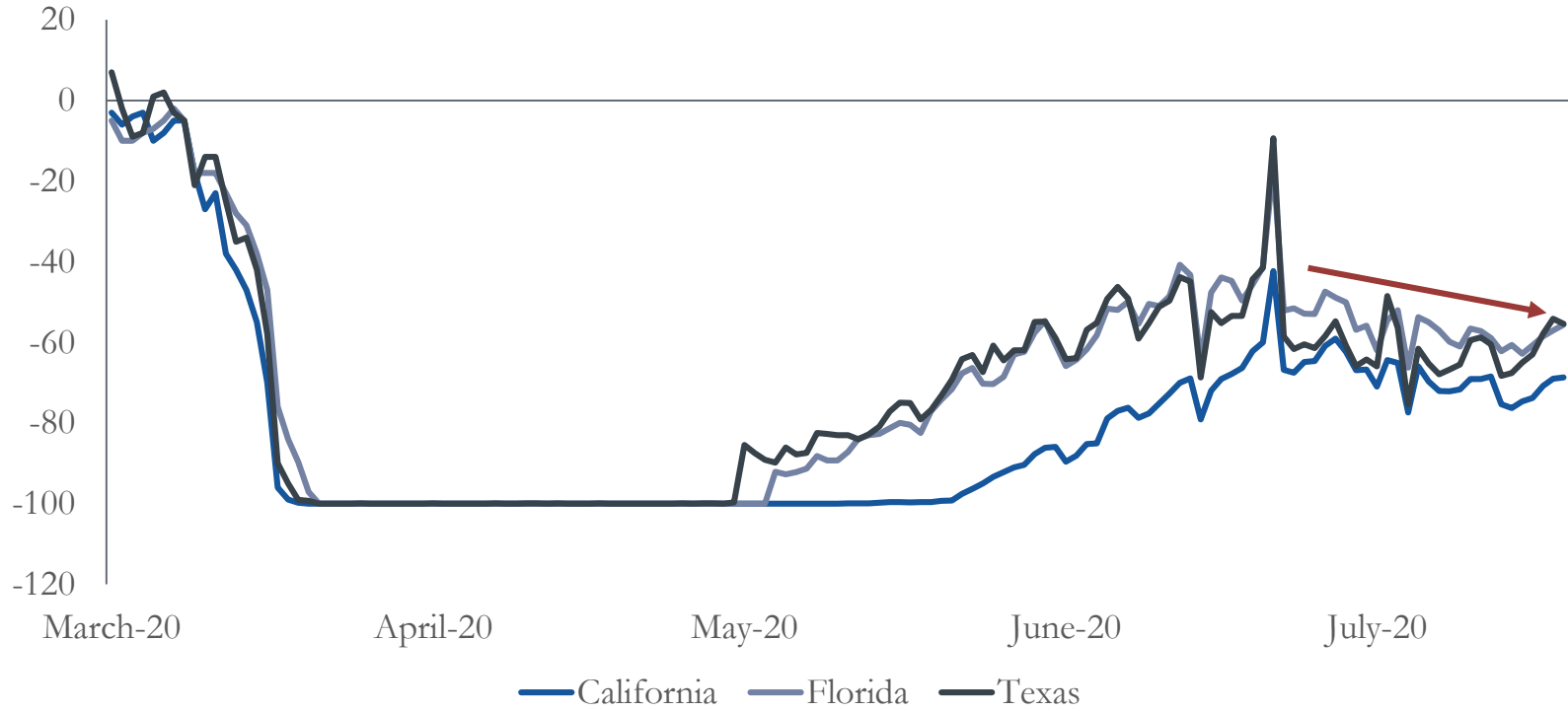


Source: Bloomberg.

Pullback in hot spot states slows the rebound

- The most impacted states have imposed restrictions on restaurants and bars
- Such reversals are a hurdle to further recovery in the next 2-3 months

OpenTable Restaurant Reservations vs. One Year Ago

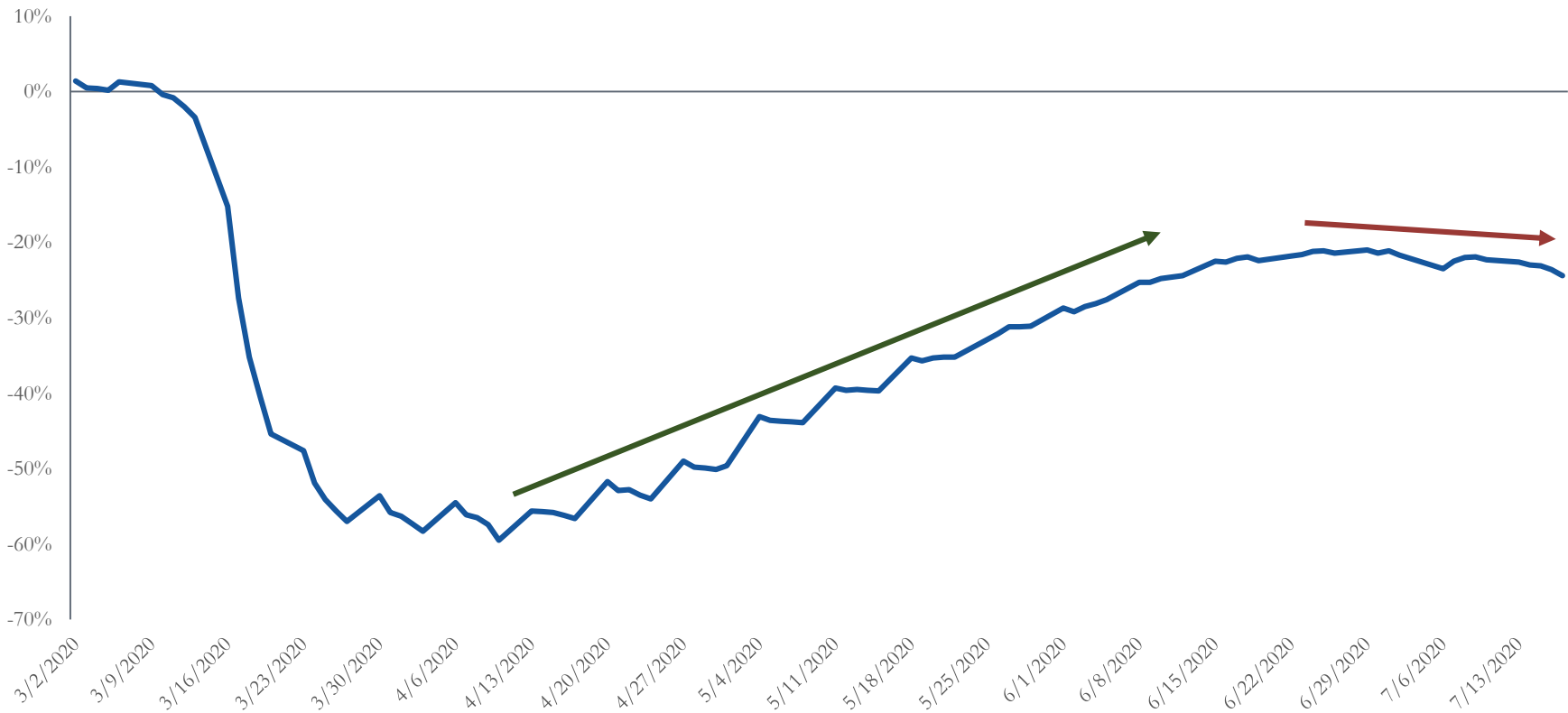


Source: Bloomberg.

Hiring has slowed in July

- After rapid job gains from reopening through June, hiring has tailed off in July
- Increase in virus spread likely one cause, as well as layoffs resulting from shutdown

Hourly Employees Working

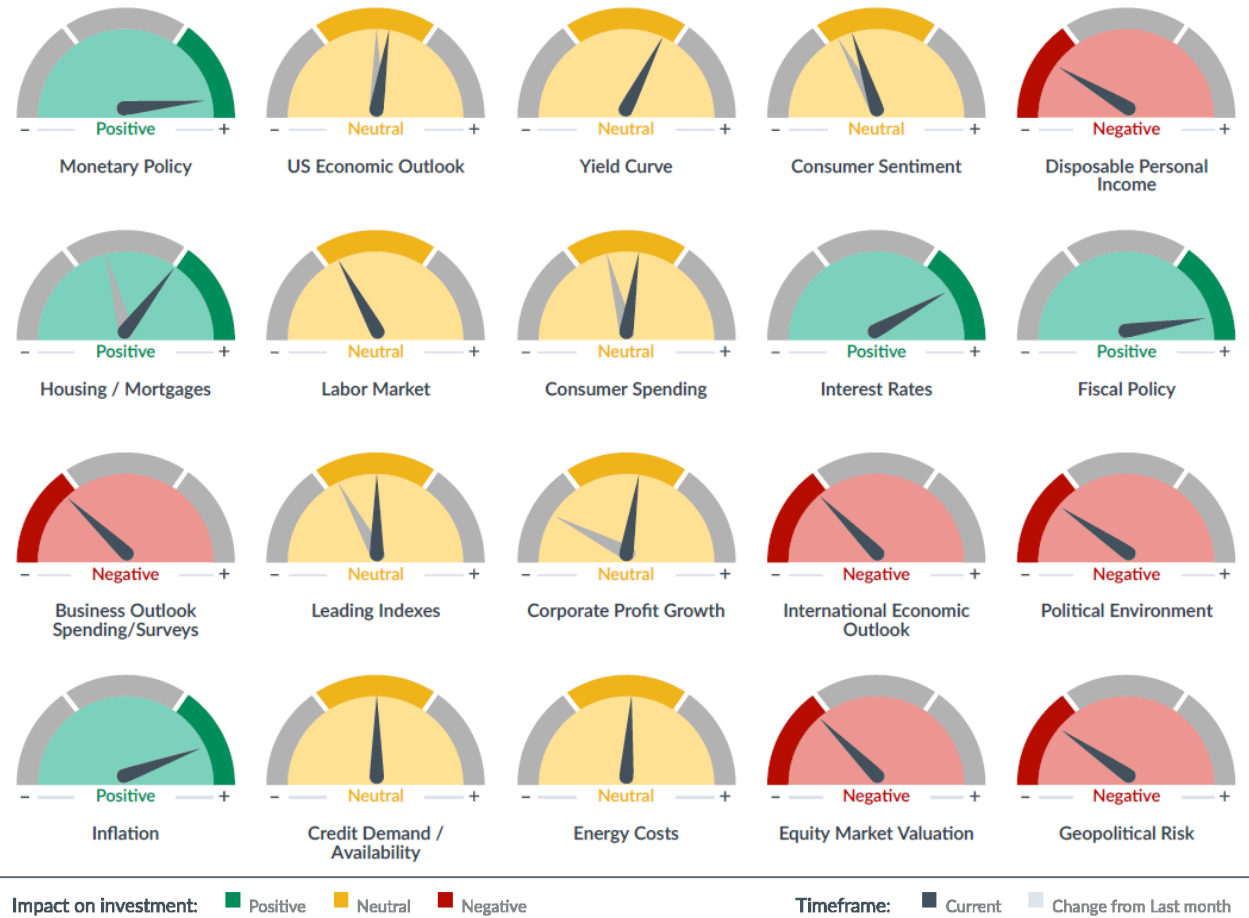


Source: Homebase, Bloomberg.

Economic and Financial Indicators

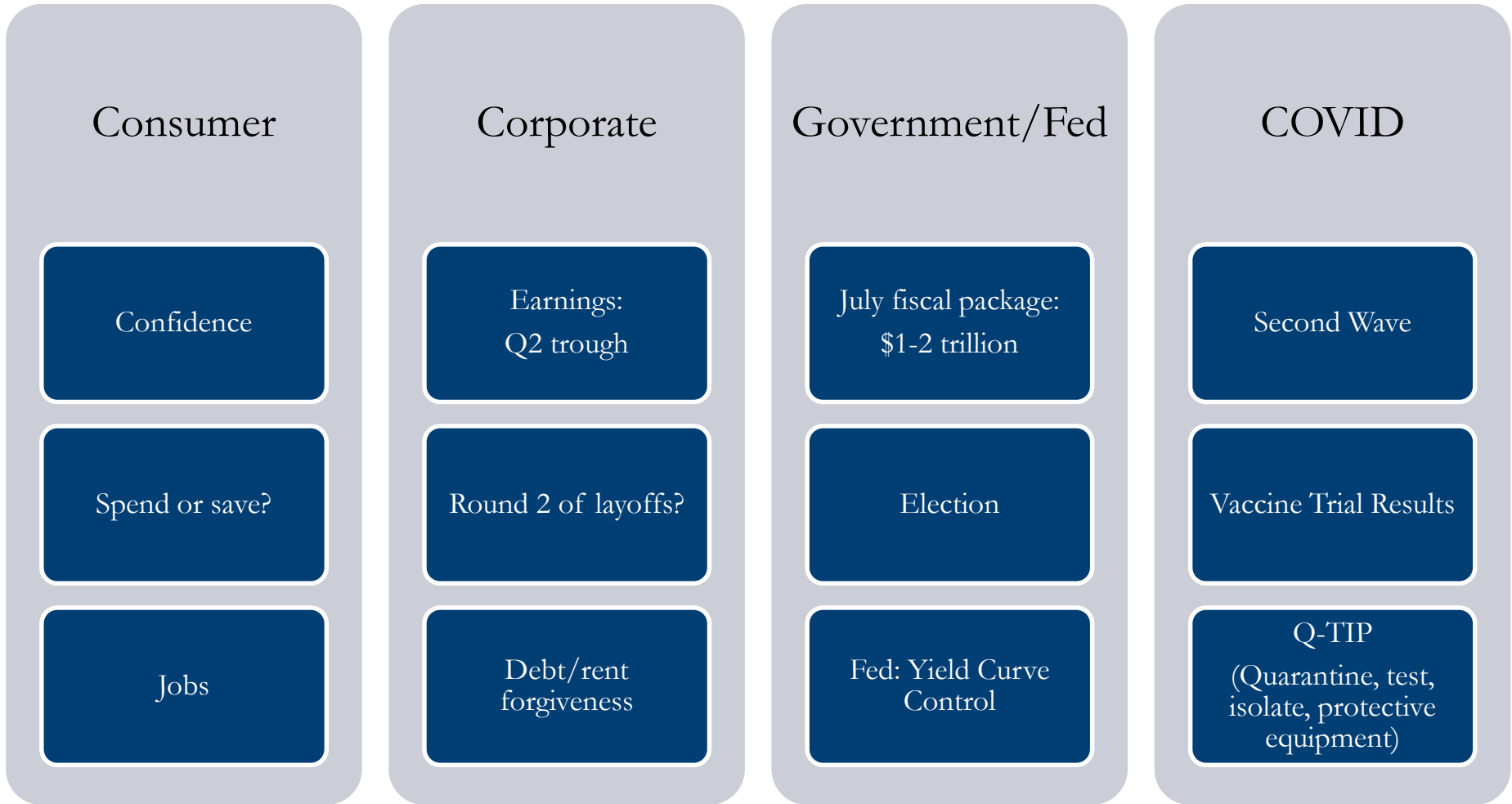
Indicators Are Forward-Looking Three to Six Months

Indicators are now signaling a bottoming in economic activity from the COVID-19 crisis and a gradual recovery to normalization ahead.



Source: City National Rochdale. As of July 2020.

What will drive markets in the second half of 2020?

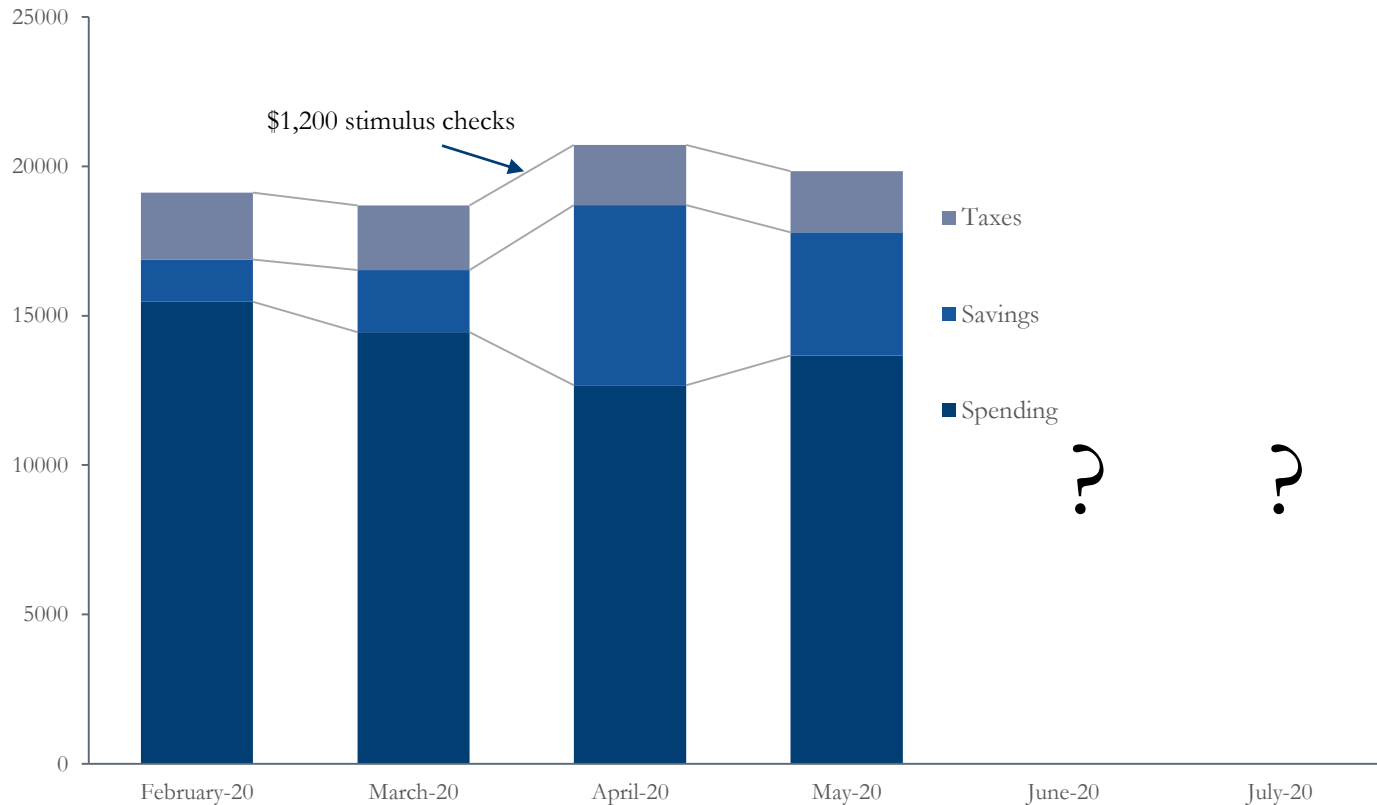


Source: CNR Research.

Closely watching income, spending, and saving trends

- Job market, government stimulus will impact income levels in the second half
- Consumer confidence will impact spending vs. saving

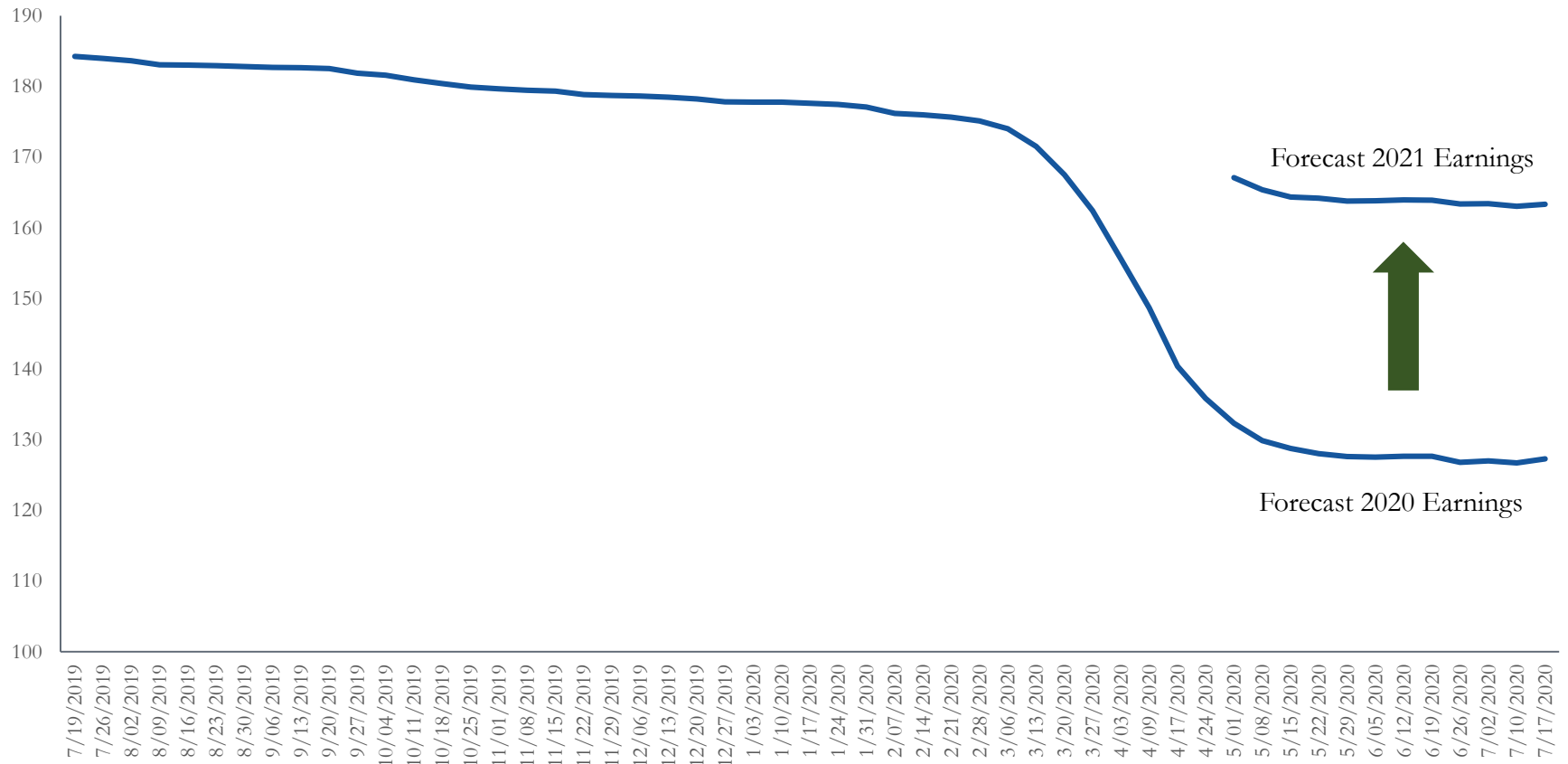
Personal Income, Spending and Saving



Source: Bloomberg.

Earnings forecasts have bottomed, 2021 growth expected

S&P 500 2020 and 2021 Consensus Earnings Forecasts



Source: FactSet.

Congress: additional \$1-2 trillion needed in July

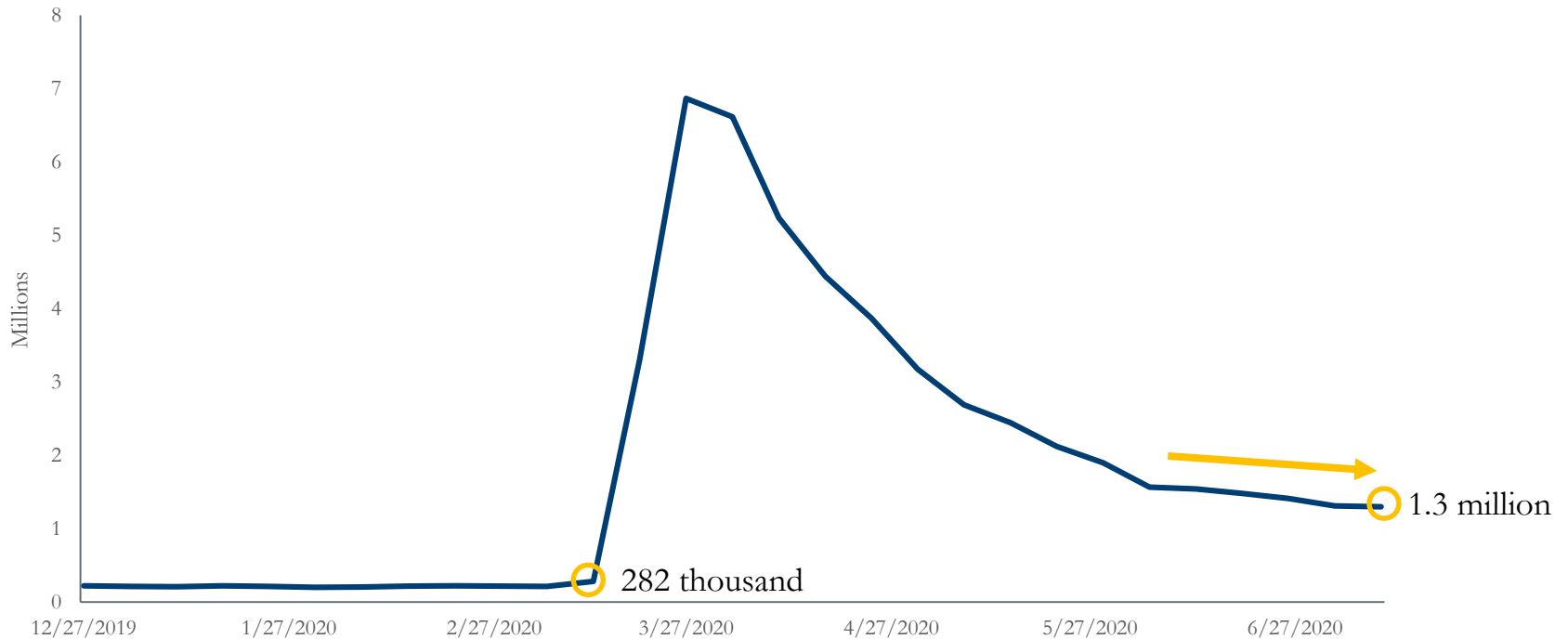
	Previous Bills	Needed in July
Unemployment Insurance	\$600/week in addition to normal	Extend with incentive to work (\$200-300/week)
Payments to consumers	\$1,200 one-time payment	\$600 one-time payment
Incentives to Hire	\$600 billion Payroll Protection Plan for Small Businesses	Extended PPP
State and Local Governments	\$150 billion to cover COVID costs	\$500 billion to prevent layoffs
Federal Reserve Lending Programs	\$400 billion to support \$4 trillion of lending	Extend through year-end

Source: CNR Research.

Second wave → round 2 of corporate layoffs

- Will likely lead to more permanent layoffs
- Will moderate recovery in the second half of the year

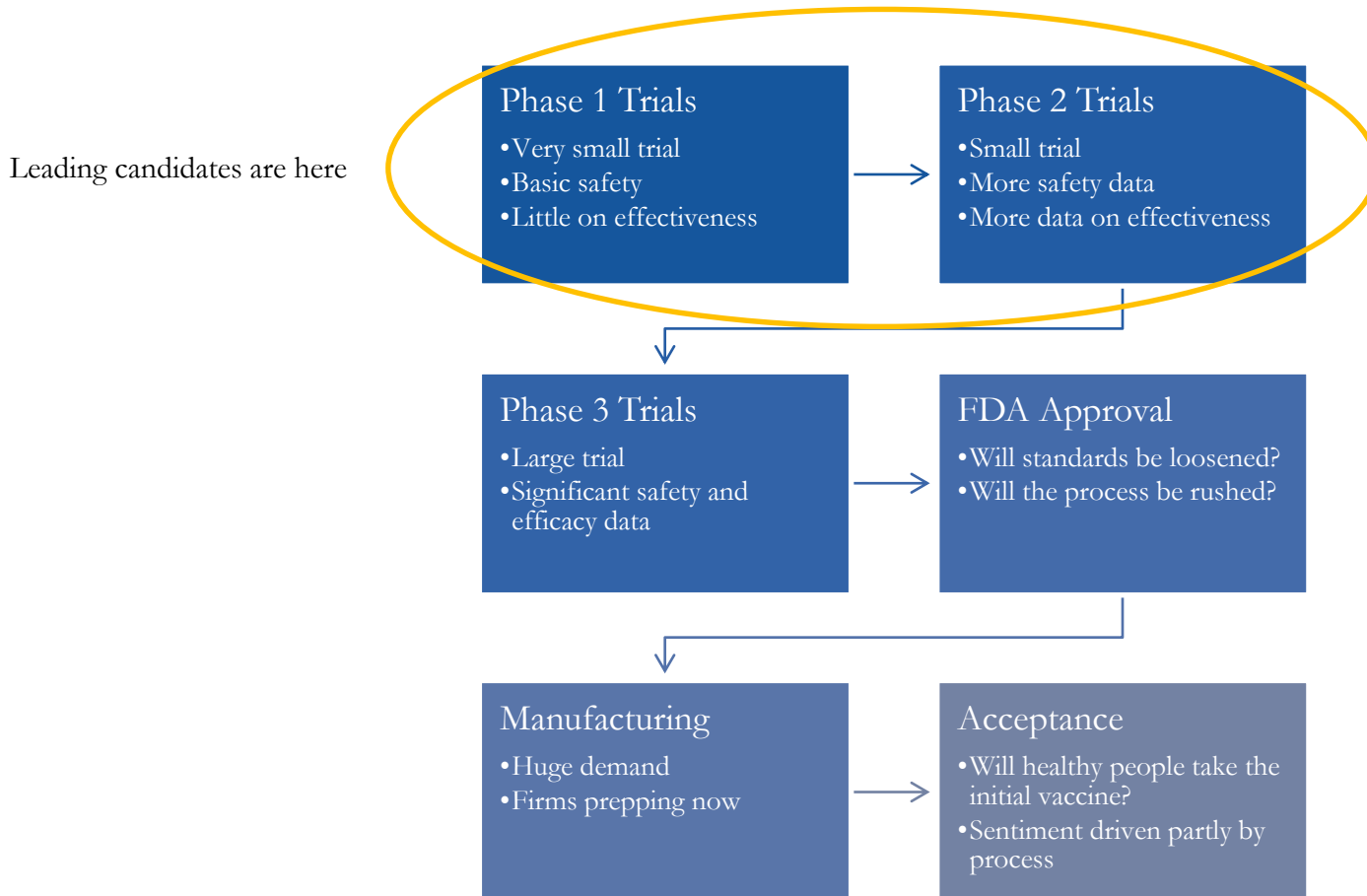
Initial Claims of Unemployment



Source: Bloomberg.

Vaccine road is long, with plenty of hurdles

- Initial data on vaccines is encouraging, but far from definitive
- Process must uphold standards to encourage acceptance/sentiment



Source: CNR Research.

Our approach to COVID pharmaceutical investments

- Early-stage biotech investing is a high-risk activity, even with advanced study and knowledge
- Our approach focuses on companies most likely to benefit from broad developments

What we are avoiding in Health Care	Our Health Care focus
Picking a vaccine “winner”	Health care equipment and support of vaccine development
Betting on early-stage experimental drugs	Vaccine manufacturing support
Valuations showing “Irrational Exuberance”	COVID-19 test makers

Source: CNR Research.

Questions?

Important Information

The information presented does not involve the rendering of personalized investment, financial, legal, or tax advice. This presentation is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein.

The material contains forward-looking statements regarding intent, beliefs, or current expectations which are used for informational purposes only. Readers are cautioned that such forward-looking statements are not a guarantee of future performance, involve risks and uncertainties, and actual results may differ materially from those statements as a result of various factors. The views expressed are also subject to change based on market and other conditions. Furthermore, the opinions and information presented do not involve the rendering of personalized investment, financial, legal, or tax advice.

Investments in below-investment-grade debt securities which are usually called “high-yield” or “junk bonds,” are typically in weaker financial health and such securities can be harder to value and sell and their prices can be more volatile than more highly rated securities. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher-quality rating.

Investing in international markets carries risks such as currency fluctuation, regulatory risks, economic and political instability. Emerging markets involve heightened risks related to the same factors as well as increased volatility, lower trading volume, and less liquidity. Emerging markets can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

Certain information has been provided by third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed

Adjustments to portfolio strategies are based on guidelines set forth by City National Rochdale’s Asset Allocation Committee. Individual client allocations among strategies, asset classes, portfolio weightings may be higher or lower given differences in portfolio holdings, client imposed restrictions, and/or the customized strategy implemented by each client’s portfolio manager. These differences may have a material impact on individual client’s performance returns.

Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as on the date of this document and are subject to change.

This material is available to advisory and sub-advised clients, as well as financial professionals working with City National Rochdale, a registered investment advisor and a wholly-owned subsidiary of City National Bank.

Indices are unmanaged and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results.

Important Information

This presentation is for general information and education only. City National makes no representations or warranties in respect of this presentation and is not responsible for the accuracy, completeness or content of information contained in this presentation. City National is not responsible for, and expressly disclaims all liability for, damages of any kind arising out of use, reference to, or reliance on any information contained in or from the site. The information in this presentation should not be used to obtain credit or for any other commercial purpose nor should it be construed as tax, accounting, regulatory or legal advice. Rules in the areas of law, tax and accounting are subject to change and open to varying interpretations and you should seek professional advice from your advisor. Nothing in this presentation should be construed as an offer, or solicitation of an offer, to buy or sell any financial instrument. It should not be relied upon as specific investment advice directed to the viewer's specific investment objectives. Any financial instrument discussed in this presentation may not be suitable for the viewer. Each viewer must make his or her own investment decision, using an independent advisor if prudent, based on his or her own investment objective and financial situation. Prices and availability of financial instruments are subject to change without notice. Financial instruments denominated in a foreign currency are subject to exchange rate risk in addition to the risk of the investment. City National Bank (and its clients or associated persons) may, at times, engage in transactions in a manner inconsistent with this presentation and, with respect to particular securities and financial instruments discussed, may buy from or sell to clients or others on a principal basis. Past performance is not necessarily an indication of future results.

Alternative investments are speculative, entail substantial risks, offer limited or no liquidity and are not suitable for all investors. These investments have limited transparency to the funds' investments and may involve leverage which magnifies both losses and gains, including the risk of loss of the entire investment. Alternative investments have varying, and lengthy lockup provisions.

The expected returns shown do not include fees for trading costs (e.g., commissions) or any fees charged by your financial advisor. Please speak to your financial advisor for a complete understanding of all fees.

Non-Deposit Investment Products:

Are not insured by the FDIC.

Are not deposits or other obligations of or guaranteed by City National Bank.

Are subject to investment risks, including possible loss of the principal amount invested.

Deposit products and services are provided by City National Bank Member FDIC. City National Bank is a subsidiary of Royal Bank of Canada.

Redistributed with the permission of City National Rochdale.

Index Definitions

The Standard and Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan; it is derived from a survey of consumers.

Deposit products and services are provided by City National Bank Member FDIC. City National Bank is a subsidiary of Royal Bank of Canada.

Redistributed with the permission of City National Rochdale.

*Securities may be offered through Kestra Investment Services, LLC, (Kestra IS), member FINRA/SIPC. Investment Advisory Services may be offered through Kestra Advisory Services, LLC, (Kestra AS), an affiliate of Kestra IS. Financial planning offered through Personal Benefit Financial. Rountree & Associates doing business under Personal Benefit Financial is not affiliated with Kestra IS or Kestra AS.

All investments involve risk, including loss of principal. Past performance does not guarantee future results. There is no assurance that the investment process will consistently lead to successful investing. Asset allocation and diversification do not eliminate the risk of experiencing investment losses. This presentation is provided as a courtesy for information purposes and therefore not an offer to buy or sell a security. Information contained was collected from sources believed to be reliable, however, the accuracy and completeness of the information is not guaranteed.

For More Information

New York Headquarters

400 Park Avenue
New York, NY 10022
212-702-3500

Beverly Hills Headquarters

400 North Roxbury Drive
Beverly Hills, CA 90210
310-888-6000

info@cnr.com

www.cnr.com