Keeping focused on your long-term goals

Market Commentary | Week ending August 21, 2020

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Weekly Market Performance Snapshot (Week ending August 21, 2020 & Year-to-Date)

- Dow Jones Industrial Average®: -0.0% / -1.9%
- S&P 500® Index: +0.7% / +5.1%
- NASDAQ Composite® Index: +2.7% / +26.1%
- Russell 2000® Index: -1.6% / -7.0%
- 10-year U.S. Treasury note yield: 0.640%, down 7.3 basis points from 0.713% on August 14 and down 128 basis points from 1.92% on December 31
- Best-performing S&P 500 sector this week: Technology, +3.5%
- Weakest-performing S&P 500 sector this week: Energy, -6.1%

Equity Markets Steady, as S&P 500 and NASDAQ Reach New Highs

The Dow Jones Industrial Average and S&P 500 Index were largely flat for the week, with modest gains in technology stocks offsetting losses experienced in the sectors that are more sensitive to the economy, as concerns about the economic recovery persist. The broad-based S&P 500 Index set new record highs, closing Tuesday at 3,389.78 and finishing the week at 3,397.16. The technology-heavy NASDAQ Composite Index continued to hit new record highs.

- The S&P 500's previous record close of 3,386.15 on February 19 was followed by a rapid 34% drop to 2,237.40 on March 23, as the coronavirus pandemic surged. The five months in which the index recovered featured the sharpest drop in U.S. GDP on record and saw more than 20 million Americans unemployed—neither of which would suggest a bull market. However, monetary and fiscal stimulus have helped support the economy through what markets hope will be the worst of the recession. Markets also seem to be banking on a coronavirus vaccine or treatments being widely available by the end of the year.
- On the road to the S&P 500's new high, the Technology sector has been the largest contributor. Just five companies—Alphabet, Amazon, Apple, Microsoft, and Facebook—have accounted for 25% of the S&P 500's gains over that period and now represent more than 20% of the S&P 500's value. Apple recently became the first U.S. company to exceed $2 trillion in market value.
- The market rebound has not touched all sectors. The majority of S&P 500 stocks are still priced below their February 19 pre-pandemic levels. Energy and financial stocks have been hardest hit.
- Current market conditions present a good opportunity for investors to revisit their investment allocations. Speak with a financial professional to ensure that your portfolio reflects your investment goals, such as capital appreciation or current income, as well as the appropriate level of risk for you.

Continued on next page

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Earnings and Economic Data Point to a Choppy Recovery

The economic recovery is proceeding at an uneven pace, as earnings from major retailers revealed signs of caution around consumer spending, and weekly unemployment claims ticked up again.

- Retail earnings reaffirmed this year's surge in online sales and the consumer shift toward major retailers that sell essential goods. Lowe's, Home Depot, and Walmart all reported big sales gains—particularly in e-commerce. Target was the biggest beneficiary among investors, gaining more than 10% on the week.
- Even amid surging sales, big-box retailers noted that consumer spending softened in July after government stimulus checks were spent. Back-to-school sales have been slower than normal.
- The weekly unemployment claims report showed claims rising back above 1.1 million following a decline last week. Nearly 15 million Americans are receiving continuing unemployment benefits. Unemployment checks are now lower than they were last month. This could hinder consumer spending, which remains the largest contributor to U.S. economic activity.
- Further fiscal stimulus is still on the table and may determine how much strength the economy retains through the rest of the year.
- The yield on the 10-year Treasury note slipped back into the mid-60 basis point range, underscoring ongoing concerns about the economy.

Coronavirus Is Still in the Economic Driver's Seat

While several virus hotspots in the U.S. showed lower case counts in recent days, the coronavirus remains the biggest threat to economic growth here and abroad.

- Minutes from the Federal Reserve's July meeting revealed continuing concerns about the virus's effect on the economy. According to a meeting summary, board members agreed that "the ongoing public health crisis would weigh heavily on economic activity, employment, and inflation in the near term, and was posing considerable risks to the economic outlook over the medium term." Board members left open the possibility of more monetary stimulus and reiterated the need for more fiscal stimulus from Congress and the White House.
- As back-to-school season gets into swing, major universities, including Notre Dame and the University of North Carolina-Chapel Hill, have reversed or revised earlier decisions to bring students back to campus for in-person instruction. The Big Ten and Pac-12 conferences have also canceled fall sports. These decisions have major economic consequences for college towns and for media companies that rely on live sports for ad revenue.
- Decisions on whether K-12 schools will open for in-person classes are highly varied and localized. The decisions will affect parents' ability to return to offices and, therefore, will have an impact on the broader economy.
- In addition to the ongoing challenges in the U.S., recent upticks in virus cases in major European countries suggest that the global economy and markets are still at risk from further uncertainty and volatility.

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