Near-term prospects for the Financial Services (Diversified) Industry have taken a sudden turn for the worse. The global coronavirus pandemic has caused significant economic disruption, as governments around the world sought to slow the spread of the contagion through shelter-in-place directives and social distancing guidelines.

The United States has not been immune to the effects of the outbreak, and the data indicate that the country is now in recession. Too, with the nation's unemployment rate expected to spike in the next two years, consumer spending on nonessential goods is bound to suffer.

The ripple effect on the equity markets has been pronounced, with most of the stocks described on the pages that follow experiencing steep share-price declines thus far this year.

The Financial Services (Diversified) Industry includes three separate groups: Asset Managers that provide a broad array of investment advisory services and products; Credit Card companies that issue credit, debit, and corporate fleet cards; and Pawn Lenders that extend short-term loans and provide other services.

We examine some of the factors that affect each segment of the industry in greater detail below.

Asset Managers

Perhaps no segment of the Financial Services (Diversified) Industry has been more impacted by the current climate than the asset management niche. The companies included here offer investment products and services to individuals and institutions, including the active and passive management of equity and fixed-income portfolios, economic and quantitative research, as well as trust and advisory duties.

The most closely watched metric in this space is assets under management (AUM), which is primarily driven by capital inflows (or outflows) and market appreciation (or depreciation). Industrywide, the measure recovered nicely last year following a down performance in 2018, but much of those gains have been lost in the first few months of 2020.

Asset Managers range in size from heavyweights such as *BlackRock* and *American International Group*, followed by mid-sized players like *Principal Financial* and *T. Rowe Price*, to smaller operators including *Alliance-Bernstein* and *Janus Henerson*. One thing to keep an eye on is the flow of capital during the eventual economic and equity market recoveries, and whether smaller firms can remain viable.

Credit Card Companies

This segment of the Financial Services (Diversified) Industry includes household names such as *American Express*, *Discover Financial Services*, *MasterCard*, and *Visa*, which issue credit and debit cards, and install point-of-sale terminals. The other companies that occupy this space are *PayPal Holdings*, which enables digital and mobile payments by consumers and merchants, and *FleetCor Technologies*, a provider of fuel cards and payment solutions to the corporate world.

INDUSTRY TIMELINESS: 32 (of 95)

Without question, the economic damage caused by the still-unfolding coronavirus pandemic will have a harmful effect on the companies included here. The global economy is not on solid footing, the U.S. is now in recession, and the domestic jobless rate is expected to rise sharply in the next year or two. Against that backdrop, consumer spending on nonessential goods will likely suffer, and transaction activity will be muted for the time being.

Important measures to monitor include the number of transactions registered, the dollar value per transaction, and the total value of transactions. Of course, the unemployment rate, job creation data, and the level of economic activity also bear watching.

Pawn Lenders

This corner of the Financial Services (Diversified) Industry has a single occupant, *FirstCash*, which provides short-term loans to consumers by purchasing second-hand goods through a network of stores in the United States and Latin America.

On the one hand, the current climate could mean an uptick in demand for the services provided by *FirstCash* and other pawn lenders, as individuals look for ways to make ends meet during a period of historic job losses. But, on the other hand, the tepid outlook for the domestic economy could spur consumers to curtail spending, which may hinder demand for second-hand goods.

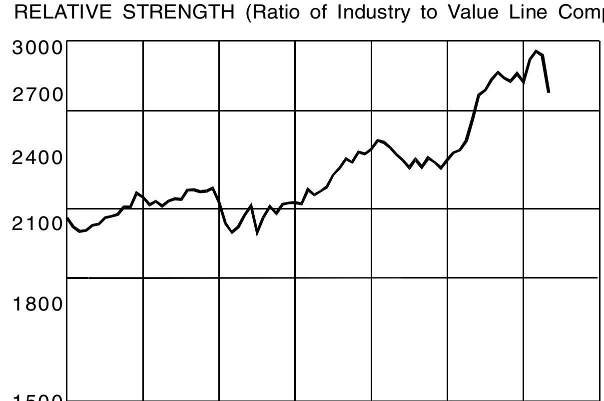
Conclusion

A few names to watch within the Financial Services (Diversified) Industry in the coming six to 12 months include *Aon plc*, *Assurant, Inc.*, *BlackRock, Inc.*, *Brown & Brown, Inc.*, *FirstCash, Inc.*, *Franklin Resources*, *Janus Henderson*, *Loews Corp.*, *MasterCard Inc.*, *T. Rowe Price*, *Sun Life Financial*, and *Visa Inc.*

Sharif Abdou

Financial Services (Diversified)

RELATIVE STRENGTH (Ratio of Industry to Value Line Comp.)



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