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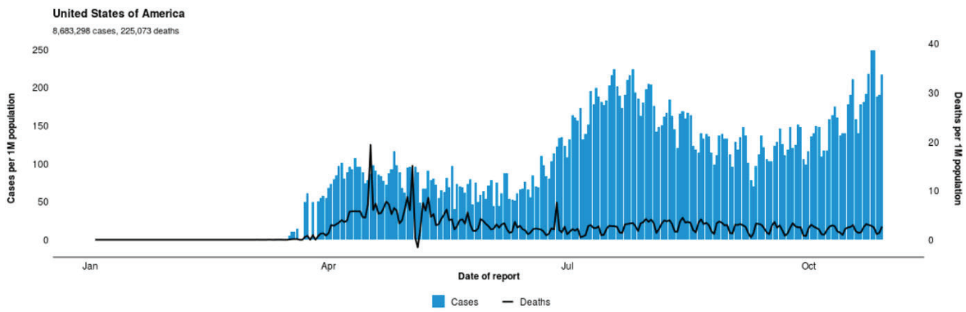
November 2020

The market is currently digesting a lot of headline news – increased COVID-19 cases around the world, the U.S. presidential election, earnings season, and the on again, off again, stimulus talk. This month we are going to look at each topic and provide our thoughts.



Source: https://covid19.who.int/

COVID-19

Coronavirus case are on the rise here in the U.S. and in Europe with over 44 million confirmed cases and over 1 million deaths worldwide as reported by the World Health Organization. Reports from European countries are that hospitals are getting close to full capacity and new shutdown orders are beginning to be implemented. Recent data in the U.S. suggests a 3rd wave of cases is starting with many of the cases popping up in the Midwest as we head toward the winter months. Vaccinations and treatments continue to be in development and hopefully we get a breakthrough sooner than later.

U.S. Election

Most likely you will be reading this after the election. Maybe we have a winner or maybe we are talking about a contested election? Regardless of which party wins or losses, I hope they can reach across the aisle and work together on the issues this country is facing. Notice how I have not talked about the markets regarding the election? That is because history has shown the President has had little effect on the direction of the stock market. Both parties have had good times and both parties have had bad times. Let us try to keep politics out of our portfolios.

S&P 500	3,269.96
DIJA	26,501.60
NASDAQ	10,911.59
OIL	$35.79/BARREL
GOLD	$1,879.90/OUNCE
10-YEAR TREASURY FIELD	0.85%
UNEMPLOYMENT	7.90%
GDP	33.10%
PPI	0.42%
CPI	1.37%

Source: ycharts.com

3Q GDP grew at a record 33.1% annualized rate. Although far from being fully recovered, the U.S. economy made up a lot of ground in 3Q.

Initial jobless claims came in at 751,000 for the week of Oct 24th, the lowest number this side of the pandemic. Continuous jobless claims for the week of Oct 17th fell 709,000 to 9.05 million. Although a very large portion of the labor market continues to struggle, the labor market is moving in a positive direction.

COVID-19 cases have surged in the Europe and the U.S., prompting Germany and France to announce new national lockdowns. If cases continue to rise, additional nations may follow suit.

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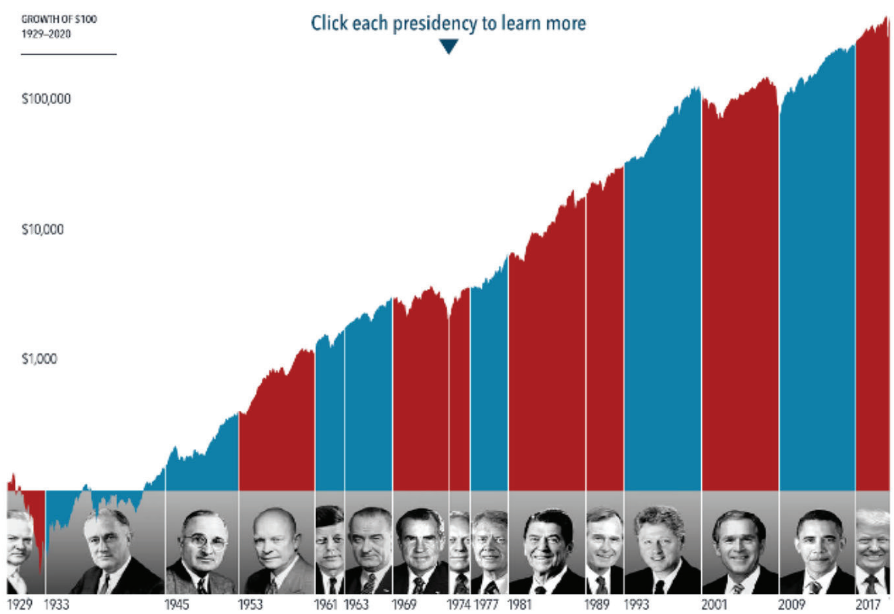
Earnings Season

As of this writing, we are in the middle of earnings season, so I will generalize what we are seeing. Reported earnings seem to be meeting and/or beating the consensus estimates, but forward guidance is being lowered. This has resulted in a mixed bag for how stocks have reacted. Higher Price-to-Earnings stocks that have guided lower, seeming to be more sold off as investors flee their positions. As companies continue to adjust to a new norm, we think earnings seasons will be more volatile than past earnings seasons.



Source: https://worldhealthorg.shinyapps.io/covid/

Stimulus talk

Although the stimulus deal is currently in the "off" position, we feel that no matter what happens in the election, a stimulus deal gets done. The question will be what is the size and scope of the deal which will be highly dependent on the election results.

Stimulus Outlook

	Biden	Trump
Schumer	Revert to House bill: **$5T**	Both want a deal: **$2T - $3T**
McConnell	Some agreement is reached: **$500B - $1T**	Trump forces McConnell into a package: **$1.5 - $2T**

Source: Bloomberg

Expect volatility to be elevated for the rest of the year and probably until we have a COVID-19 vaccination distributed. We cannot stress enough how important it is to continue to focus on your long-term goals and objectives and not let noise (news) get in the way. With that said, our long-term view on the equity market is still bullish and we believe we are in the middle part of a secular bull market that, which from a historical perspective, could have another 10 years left. We also believe we are just starting a new cyclical bull market after the last one ended in the March selloff. From a tactical portfolio position, we are currently overweight equities and have also added single issue stocks into a few select models where the risk tolerance makes sense. For non-qualified accounts, we have adjusted some of our municipal bond positioning to better align fixed income with our outlook. We continue to follow our disciplined rebalancing process which calls for rebalancing between equities and fixed income when our target exposure moves outside its risk bands. From a portfolio positioning standpoint, we are always looking for intermediate-term and long-term opportunities and continue to monitor accounts daily with our commitment to rebalance accounts as they fall outside of their equity-to-fixed income ratio.

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	0.37%	9.71%	10.42%	11.71%
MSCI EAFE	-1.68%	-6.86%	-1.24%	2.85%
BAR AGG BOND	-1.30%	6.19%	5.06%	4.08%

Source: Morningstar Direct

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
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The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.
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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

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