

W. James Steen, CFP®

jim@petrafin.com

(O) 937.294.9000

www.petrafinancialsolutions.com

Quarter Update

- For September, the Dow Industrials lost 2.2% and the Nasdaq Composite gave back 5.1%, their first respective monthly losses since March.
- On a quarterly basis, the Dow Industrials gained 1,968 points (+8.2%) and the Nasdaq Composite surged 11.2%.
- U.S. crude oil futures retreated 6% last month, finishing at \$40.22/barrel yet in relief, pared deeper losses after oil inventories fell to the lowest since April.
- Gold finished the month at \$1,896/oz, down 4.2%, while climbing 5.9% in the 3Q, its eighth straight quarterly gain – the longest rally since 3Q 2011.

Coming off its early September all-time high by around 6%, the S&P 500's winning streak of five monthly gains came to an end. Yet the U.S. equity benchmark index closed out the third quarter on a positive note, ending just above its 50-day moving average amid a flurry of encouraging month-end data showing the economy is still on the road to recovery. Third-quarter GDP estimates are on track for record growth, currently topping a 32% annualized rate. Investors' resolve however continues to be tested by implications from a resurgence in COVID-19 case rates and growing uncertainty over possible contested election results in November. Global active infections now top 33.7 million, with associated deaths of one million.

Wall Street is also closely monitoring progress toward viable coronavirus vaccines and talks in Washington for a new stimulus package. Treasury Secretary Mnuchin and House Speaker Pelosi met on September 30 for their first in-person negotiations on a fresh fiscal stimulus package since August. Both sides remain committed to passing a compromised deal. The S&P 500 posted a near-9% gain in the third quarter, extending a rally the previous three months to cap its best two-quarter performance since 2009, up 31.3%. The Nasdaq Composite surged over 45% over the past six months, its strongest two-quarter gain since 2000.

The small cap focused Russell 2000 Index underperformed relative to large cap S&P 500 stocks by 4% last quarter. Russell Mid Cap stocks also outperformed small caps, gaining 7.46% during the third quarter. The Russell 1000 Growth Index (+13.22%) widely outperformed its Value counterpart (+5.59%) last quarter and for the year (+24.33% vs. -11.58% respectively).

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As the sector performance table shows below, only two sectors advanced in September, led by Materials and Utilities, while Technology lagged amid a selloff in Big Tech mega caps. Technology, Consumer Discretionary, and Communication Services remain this year's best performers. Although not making an appearance in the tables below, Healthcare lagged in September (-2.15%), trimming third quarter and YTD gains to 5.87% and 5.01% respectively.

| Top Performers – September | Bottom Performers – September ¹ |
|----------------------------------|--|
| Materials (+1.34%) | Technology (-5.37%) |
| Utilities (+1.13%) | Communication Services (-6.47%) |
| Industrials (-0.76%) | Energy (-14.51%) |
| Top Performers – Third Quarter | Bottom Performers – Third Quarter ¹ |
| Consumer Discretionary (+15.06%) | Financials (+4.45%) |
| Materials (+13.31%) | Real Estate (+1.92%) |
| Industrials (+12.48%) | Energy (-19.72%) |
| Top Performers – YTD 2020 | Bottom Performers – YTD 2020 ¹ |
| Technology (+28.69%) | Real Estate (-6.78%) |
| Consumer Discretionary (+23.38%) | Financials (-20.22%) |
| Communication Services (+8.60%) | Energy (-48.09%) |

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Internationally, foreign equity markets had uneven quarterly performance relative to American stocks. Overseas developed markets underperformed the U.S. benchmark by 4.1% in the third quarter, while emerging markets performed better, outpacing the S&P 500 by 0.63%. Globally, the MSCI All-Country World Index advanced 8.13% last quarter, while world stocks excluding U.S. performance climbed 6.25%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, held steady in September and the third quarter, gaining just 0.14% and 0.18% respectively, while extending YTD gains by 0.20% to 8.81%. Long-term U.S. government bonds likewise extended their YTD gain fractionally to 21.13% from 20.97% at the end of the second quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) outperformed relative to purely safer-haven government debt, up 0.62% in the third quarter. Municipal bonds outperformed other investment-grade bonds last quarter, returning 1.23%. Risk appetites extended into the third quarter for non-investment grade high-yield debt as the Bloomberg Barclays U.S. Corporate High Yield Index, climbed 4.60% -- although down from a 10.2% prior quarter gain. The two-quarter rally was fueled by the Fed's continued asset purchases of high-yield bond ETFs.

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Glossary The Bloomberg Barclays Capital U.S. 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 passthroughs), 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. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE 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 MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The MSCI All-Country World Index (ACWI) is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. 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 capitalization-weighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.