

Horizon Wealth Management

Weekly Market Commentary

September 21, 2020

The Markets

Investors weren't happy with central banks last week.

After the Federal Open Market Committee (FOMC) meeting, Federal Reserve Chair Jerome Powell confirmed the economy is recovering more quickly than anticipated:

"With the reopening of many businesses and factories and fewer people withdrawing from social interactions, household spending looks to have recovered about three-quarters of its earlier decline... The recovery has progressed more quickly than generally expected, and forecasts from FOMC participants for economic growth this year have been revised up since our June Summary of Economic Projections. Even so, overall activity remains well below its level before the pandemic and the path ahead remains highly uncertain... We remain committed to using our full range of tools to support the economy in this challenging time."

Investors weren't satisfied. Colby Smith of *Financial Times* reported stocks, "sold off sharply during Mr. Powell's press conference on Wednesday, and again on Thursday," because the FOMC did not provide information about "how it might adapt its balance sheet policy to generate... inflation and aid the U.S. economic recovery."

The Bank of England (BOE) also delivered news that unsettled markets last week. Minutes from the BOE's latest meeting noted it was studying negative interest rates. Some banks and analysts interpreted this to mean the bank intends to implement negative rates. Eva Szalay and Chris Giles of *Financial Times* reported, "People familiar with the matter said the preparations now under way were aimed more at fully understanding the effects of negative rates, rather than at seeking to implement them."

It's possible the BOE wants to better understand negative rates so it's prepared for a worst-case scenario, such as the economic impact of COVID-19 containment measures combined with failure to reach a trade agreement with the European Union (EU), reported David Goodman and Lucy Meakin of *Bloomberg*. The EU trade deadline is fast approaching and, currently, no deal seems likely.

In the face of uncertainty, markets are likely to remain volatile.

Data as of 9/18/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.6%	2.8%	10.4%	9.9%	11.1%	11.3%
Dow Jones Global ex-U.S.	1.1	-4.0	3.3	-0.3	3.6	2.2
10-year Treasury Note (Yield Only)	0.7	NA	1.8	2.2	2.1	2.7
Gold (per ounce)	0.2	28.1	29.8	14.1	11.3	4.3
Bloomberg Commodity Index	2.0	-9.8	-8.2	-5.0	-3.6	-6.3

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S IG NOBEL TIME. On September 17, the 30th First Annual Ig Nobel Prize Ceremony was broadcast online. Here's a fun fact: The 1995 Ig Nobel Ceremony was one of the first events videocast on the Internet.

The Ig Nobel Prizes “celebrate the unusual, honor the imaginative – and spur people’s interest in science, medicine, and technology.” The ceremony is organized by the magazine, *Annals of Improbable Research*, and is co-sponsored by the Harvard-Radcliffe Society of Physics Students and the Harvard-Radcliffe Science Fiction Association.

This year’s winning research explored ideas that make people laugh and think. The winning research included:

- *Arachnophobic Entomologists: When Two More Legs Makes a Big Difference*, “for collecting evidence that many entomologists (scientists who study insects) are afraid of spiders, which are not insects.”
- *A Chinese alligator in heliox: formant frequencies in a crocodilian*, “for inducing a female Chinese alligator to bellow in an airtight chamber filled with helium-enriched air.”
- *Eyebrows cue grandiose narcissism*, “for devising a method to identify narcissists by examining their eyebrows.”
- *National Income Inequality Predicts Cultural Variation in Mouth to Mouth Kissing*, “for trying to quantify the relationship between different countries’ national income inequality and the average amount of mouth-to-mouth kissing.”
- *Misophonia: Diagnostic Criteria for a New Psychiatric Disorder*, “for diagnosing a long-unrecognized medical condition: Misophonia, the distress at hearing other people make chewing sounds.”

Anyone can learn more about why the researchers were exploring these ideas. Alternatively, 24/7 Ig Nobel lectures are available during which the winners explain their topics twice. First, they are asked to deliver complete technical descriptions in 24 seconds. Then, they try to offer clear summaries that anyone can understand in just seven words.

Weekly Focus – Think About It

“...I’m dejected, but only momentarily, when I can’t get the fifth vote for something I think is very important. But then you go on to the next challenge and you give it your all. You know that these important issues are not going to go away. They are going to come back again and again. There’ll be another time, another day.”

--Ruth Bader Ginsburg, Supreme Court Justice

Best regards,

Chris Dumford, CFP®, AIF®
Larry Makatura, CFP®, AIF®

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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