THE ADVISOR

IN THIS ISSUE

GLADSTONE
WEALTH GROUP

info@gladstonewealth.com / Office (908) 719-1313 / Fax : (908) 719-1331 / 4 Mill Ridge Lane Floor 2 Chester, NJ 07930

Introducing Craig Kessler

Market Strategist, Gladstone Wealth Partners

Craig Kessler is our new Market Strategist, bringing a broad resume of experience in the investment industry.
Craig spent the first eight years of his career as a retail investment adviser. In 2001, he joined the investment manager Kirr, Marbach & Company, LLC as director of marketing. While at KM he was responsible for overseeing the firm's business development initiatives.

In 2007, Craig accepted the challenge of building and managing the investment services department for Lincoln Bank based in Plainfield, Indiana. After Lincoln Bank was acquired by First Merchants Bank, Craig set out to build his own firm, founding Kessler Investment Group, LLC. Craig's market insights will be a valuable asset to Gladstone, as made evident in his following report.

Market Outlook: A View From My Chair

Craig Kessler, Market Strategist

Our view that the S&P 500® Index would **reach a record high this year** has proven true, albeit sooner than expected. The combining of monetary and fiscal policy to address the economic fallout from COVID has proven to be a powerful weapon. Since the Great Recession, the Fed has done most of the lifting when it came to fighting inflation.

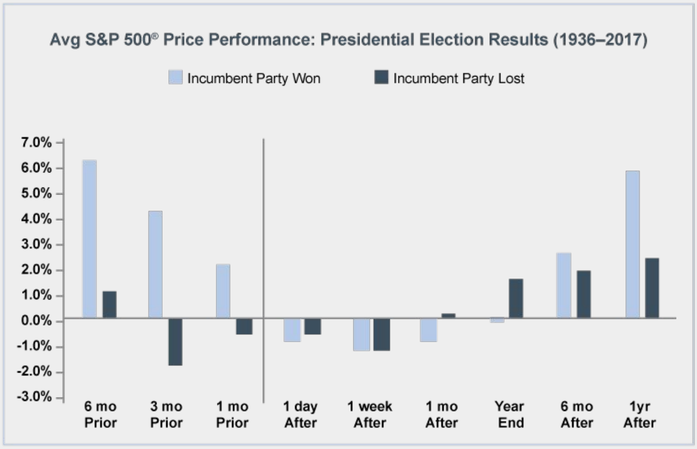
This will be important for stocks as the recovery from COVID continues. The Fed will be reticent to tighten monetary policy for years to come and **their willingness to provide liquidity will be high**. With the proverbial 800-pound Fed "gorilla" sitting calmly off to the side, the economy will have every opportunity to recover without liquidity concerns or higher interest rates.

So, the groundwork for **higher stock prices** will remain in place for some time to come. This will help dampen short-term volatility around the election as well. Following the election, the Fed will play an important role if taxes rise or trade tensions accelerate. Their dovish posture will soften the bite of these economic headwinds.

As for where **near-term risks** lie for stocks, we see the release of a vaccine as far more dangerous for stocks than the presidential election. It seems that every investor we speak to has the election at the top of their concerns, especially following such a dramatic rally off the March 23rd lows. For some, the concern is higher taxes and out of control spending from the Left. For others, it is the threat of escalating trade tensions with China and missteps related to COVID and the economy. *Continued on next page.*

Market Outlook: A View From My Chair (continued)

Our experience suggests that when the general public is fixated on the same "risk", rarely does Mr. Market play fair and prove them correct. After all, the more that investors verbalize a collective fear, the more likely it is that they have taken steps to protect themselves from it. In effect, **the risk is diminished ahead of the event** by everyone anticipating the threat.



The S&P 500® Has Been A Great Indicator Of Presidential Elections 3 Months Out. This chart provided by Strategis Partners, shows how volatility following elections has historically been low versus the lead-up to the election. While past performance does not predict future results, regardless of whether the incumbent wins or loses, markets have historically been higher 6 and 12 months later.

The database showing how the economy has fared following a pandemic is limited. However, it is worth noting that the "Roaring 20's" followed the Spanish Flu pandemic of 1918. **Will history repeat itself?** Time will tell, but it is our view that the stage is set for a rally beyond what we have seen so far. Aside from "healthy" corrections along the way, the U.S. stock market remains the place for investors looking to capitalize on the post-pandemic economy.

As for **our outlook for stocks in the near-term**, we expect volatility to pick up. This volatility will likely be more to the upside than the downside, until a vaccine is released. The source of volatility is a change in leadership from the COVID to the post-COVID stocks. A move away from stay-at-home stocks to more cyclical/value stocks. Think post-1999.

The S&P 500® Index is **capitilization-weighted**. This helps to explain why the Index has been hard to beat since March. The largest stocks in the Index are also those that have benefited the most from COVID. The inverse might be true once the vaccine is released.

We expect a shift away from mega-cap and COVID-related names and a move toward those names that have been hit the hardest following COVID. This means industrials, financials, travel, utilities and back-to-work-related stocks. The transition from the former to the latter is what will lead to higher levels of volatility but will not mark the end of the bull-market. **Investors who remain patient and make the transition should be rewarded**.

A record high in the S&P 500® Index (post-COVID) has been achieved. It will not be the last. However, the Market's reaction to the vaccine will likely be violent and unnerving. After all, isn't a vaccine supposed to be a positive development? It will be the **shift in investor sentiment** that will lead to the sell off and not a sign that the bull market is over.

Facing Possible Unemployment?

Take These Steps to Prepare

If you're facing unemployment or concerned about the possibility of upcoming layoffs, there are some small, proactive **steps you can take now** to help make this difficult time more manageable.

Build Your Network. It's estimated that over 80% of open positions are filled through networking.[1] The easiest time to build your network is while you are still employed. Websites like LinkedIn are a great way to connect with current coworkers now so you can easily maintain contact in the future. Look into joining professional organizations in your field as well. Many of these organizations offer networking events, online job postings, and learning opportunities.

Understand Your Insurance Options. If you're facing the possibility of losing health insurance, it's important to do some research and understand what your options are. The Consolidated Omnibus Budget Reconciliation Act, or COBRA, allows you to continue your group benefits for a limited amount of time. You're responsible for paying out of pocket for this continuation of coverage, and you must meet certain qualification requirements[2]. You may be able to purchase private insurance through the Marketplace, or qualify for Medicaid.[3] Start exploring what's available and what makes the most sense for your unique situation.

Update Your Resume. If you've been at the same job for years, it's likely that you haven't updated your resume in quite some time. Take inventory of your current job responsibilities as well as major projects or accomplishments. If you can quantify your successes with metrics, all the better! Once you're done updating your resume, ask a few people who you know well to review and provide input on whether you've missed anything.

Calculate Your Unemployment Benefits. Many factors go into unemployment benefit calculations, including the state you live in, how long you were employed, and your salary. Do a quick search online to find out the process for applying in your state, and how much you can potentially collect. This way, If you do get laid off, you will have all the information you need to submit a claim immediately.

Cut Non Essential Expenses. If you don't have an emergency savings account started, now is the time to start! Do an audit of your monthly expenses and see where you can cut back. If you're not actively using a service but still paying for it, consider cancelling. If you're locked into a contract with your subscription services, weigh the short-term cost of an early termination fee versus continuing to pay monthly for a service you may not be able to afford.

Stay Positive. Facing unemployment can be extremely stressful. Try to stay optimistic about your future and the opportunities that await you. Have you always wanted to try something new? Is to, this may be a great time to transition to a new career. If you're concerned about your financial situation and want to ensure you're prepared for the worst, please reach out to your advisor.

This material was prepared by LPL Financial. Sources/Disclaimers:
1 payscale.com/career-news/2017/04/many-jobs-found-networking [4/06/17]
2 dol.gov/general/topic/health-plans/cobra
3 healthcare.gov/unemployed/coverage/

A letter to our clients

Dear Valued Investor:

Back to school this year has been different. Unlike other years, going back to school carries unique concerns because of COVID-19. This year, we're all getting an education in remote learning, working from home, and social distancing.

While the COVID-19 fight is not over, more progress has been made recently. New cases and hospitalizations in the United States have been falling steadily since mid-July. Several promising vaccine candidates have entered phase-three trials in the United States, and the FDA could potentially fast-track approval for emergency use later this year. Abbott Laboratories has developed a $5 COVID-19 test that the company claims can produce reliable results in only 15 minutes. The fruition of pandemic developments may be getting us closer to the end of the pandemic.

The stock market has responded to these promising developments with fresh record highs for the S&P 500 Index and its strongest August performance since 1984. Stocks have also received a boost from surprisingly strong recent economic data, which already may have brought an end to the "lockdown recession."

The brightening economic picture helped second quarter corporate earnings beat estimates by an average of 23%, more than in any quarter since FactSet began tracking earnings statistics in 2008. Estimates have risen to the point where analysts expect 2021 S&P 500 earnings to surpass the 2019 level.

But even if the recession may be over technically, the path forward may be challenging. MGM, American Airlines, Coca-Cola, and other major corporations recently announced thousands of layoffs. If lawmakers can't agree on another stimulus package soon, the road ahead will get tougher.

Now that the Democratic and Republican national conventions are behind us, election season is in full swing—and with that comes the potential for increased market volatility. September historically has been the weakest month for S&P 500 stock performance, but during election years, it switches to October, when policy anxiety typically peaks. With stocks pricing in significant optimism after such a strong rally from the March lows and these seasonal headwinds on the way, the potential for a pullback may be high.

At the same time, it's possible we're in the beginning stages of a new bull market, which suggests additional gains for stocks may be forthcoming. That's why it probably makes sense for suitable investors to be patient, stick with their target allocations—particularly those with multi year time horizons—and resist the urge to get more defensive. Stocks appear to be expensive, but so do bonds. Even though stock market volatility may increase and stock returns potentially may fall below long-term averages, stocks may continue to outperform bonds over the next 12 months.

Good luck with the transition back to school, to a new season, and to the new norms—and stay safe. As always, please contact us with questions.

Sincerely,

Your Gladstone Team

THE GLADSTONE TEAM

Our team of advisors is here to keep you prepared for whatever challenges affect your wealth management. Tell us where you want your financial journey to take you. **We're listening.**

ROBERT P. HUDSON III
Managing Partner,
Founder and Chairman

KEITH BROTHERS
Managing Partner,
Co-Founder & COO

RICHARD FRICK
Managing Partner,
CEO

KRISTOPHER BONOCORE
Managing Partner,
President

PHIL MARCHETTI
Managing Partner,
Head of Advisor Experience

GLADSTONE WEALTH GROUP

info@gladstonewealth.com
Office (908) 719-1313 / Fax : (908) 719-1331
4 Mill Ridge Lane Floor 2 Chester, NJ 07930

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