



Weekly Commentary

October 19, 2020

THE MARKETS

It was a turbulent week for investors.

Waves of positive and negative news buffeted financial markets last week:

The financial sector delivered upbeat earnings news

Currently, many financial companies in the Standard & Poor's 500 Index have reported third quarter earnings and have done better than expected. Despite upbeat earnings, some companies' shares declined because of uncertainty about the path of economic recovery. If recovery continues, some banks may have excess reserves; however, if recovery falters and a double-dip recession occurs, banks may need to add to reserves, reported *Barron's*.

Coronavirus cases surged across the United States and Europe

A rapid rise in the number of COVID-19 cases worried investors at home and in Europe. New restrictions intended to slow the spread of the virus were implemented in France and the United Kingdom. A source cited by *Financial Times* reported, "...economists and investors had not expected governments to allow the virus to reach the point it has now."

Two treatment and vaccine trials paused

The surge of new cases was compounded by setbacks in the search for effective coronavirus treatments and vaccines. Two COVID-19 trials, one for a treatment and one for a vaccine, were temporarily put on hold because of safety concerns.

Retail sales were strong, but manufacturing and industrial production weren't

Last week, economic data provided a mixed picture of the economy. On the plus side, September's retail sales were stronger than expected despite the tapering of unemployment benefits. On the negative side, U.S. manufacturing and industrial production both came in below expectations, reported *Financial Times*.

The number of Americans filing for unemployment benefits increased

The number of people filing for first-time unemployment benefits was higher than expected, and higher than it had been for the past two weeks, even though California had temporarily stopped processing new claims. Almost 3 million people filed for extended benefits, meaning they'd been unemployed for 26 weeks or more. Overall, more than 25 million people relied on unemployment benefits last week.

Major U.S. stock indices eked out gains last week.

Data as of 10/16/20	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	0.2%	7.8%	16.5%	10.9%	11.4%	11.4%
Dow Jones Global ex-U.S.	-1.0	-4.4	2.4	-1.0	2.9	1.6
10-year Treasury Note (Yield Only)	0.7	NA	1.8	2.3	2.2	2.5
Gold (per ounce)	-1.0	25.1	28.3	13.5	10.0	3.4
Bloomberg Commodity Index	0.2	-9.3	-6.3	-5.2	-4.0	-6.6

Notes: S&P 500, DJ 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.

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