



Remington Park  
Thoroughbred season, now through December

# More than Money

September 2020



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Thank you for allowing me to partner with you in pursuing your financial goals. I'd love you to share this newsletter with friends and family. You can learn more about our approach to investing at my [website](#). *John*

## [Weekly Market Commentary from LPL](#)

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## Am I Missing Something?

We all know that 2020 has been full of surprises – mostly bad surprises. Like when the cat throws up in your shoe. But somehow, amid all the bad news, parts of the stock market are setting new record highs. Confused?

I will openly admit that this conundrum has been a real challenge to understand. Normally, the market indexes (like the S&P500) track the price people are willing to pay for the FUTURE earnings of the companies in that index. If the companies' earnings are growing, the market can go up and we common folk can interpret that movement as somewhat rational. But now the earnings are down and the market is up.



My current best explanation for this puzzle is found in the opening line from A Tale of Two Cities. "It was the best of times, it was the worst of times." If Dickens were to write about this market, he might change it slightly to "A Tale of Two Markets." It seems that what we really have now is a market of the haves and the have-nots.

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How we travel, go to school, shop for food and clothes, work from home, get medical care, and a whole host of other challenges have rapidly changed our economy. A year ago, we were spending money on travel and eating at restaurants. Those industries and others have suffered greatly as we are only doing a small fraction of those activities. But other things have captured our spending like home improvement, internet-based entertainment and takeout food. We as a country are still spending, just in different ways – and those companies who have adapted have thrived while those who could not or did not, are suffering.

Overall, the economy has been hurt, and hurt badly. But there are winners – and many of those winners are represented in the biggest U.S. companies in the stock market. The top ten companies listed in the S&P500 index now represent over 25% of the total index. The S&P is a market capitalization-weighted index. That means that the biggest companies are more heavily weighted in the index. Big companies are thriving and getting bigger and taking market share and earnings from smaller companies.

To borrow a metaphor, when the pandemic struck the U.S., the market threw the baby out with the bathwater. Almost everything went down significantly in March. But once we started to get stimulus and found a bottom to the overall decline, the market started a process it is still refining today. The market is actively looking to see which companies are babies and which are more like the bathwater. The winners are thriving and everyone else is struggling.

Please know we are actively looking for ways to own more survivors and avoid the areas of the markets where the future – like the bathwater – seems dingier.

If you would like to know more about how we are navigating these changes in the economy and the markets, let us know. We are happy to help!

## September in History

September 12, 1962 saw President Kennedy speaking to a group at Rice University. It was at this place he said these famous words.

“We choose to go to the Moon in this decade and do the other things, not because they are easy, but **because they are hard.**”

Be encouraged to continue to do hard things. No efforts are wasted, even if they produce only strength of character.



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