

Good morning!

The month of October is infamous on Wall Street for the massive stock market drop that took place on “Black Monday” (a 1-day loss of more than 20% on 10/19/87), but lesser known is that 3 of the top 4 daily gains for the S&P 500 index in the last 70 years also took place in October. Just over 6 months ago, the S&P 500 gained +9.4% (total return) on 3/24/20, the index’s 3rd best trading day since 1/01/50 (source: BTN Research).

The United States tracks “personal income” of its citizens, i.e., a monthly estimate of all pre-tax income created from employment and investments. Even though Americans can spend money they don’t have (resulting in credit card debt, mortgage debt, auto debt), history tells us that most Americans definitely love to spend money that they do have. That’s why last week’s report that showed “personal income” had declined 2.7% on a month-over-month basis from July to August, its 3rd down month in the last 4 months, threatens to slow our much-needed economic recovery (source: Commerce Department).

The Federal Reserve announced on 9/16/20 that they expect rates to remain near zero “at least through 2023 to help support our recovery.” Long-time market watchers understand that predictions made by our nation’s central bank are not infallible. Just 3 years ago (9/20/17), the Fed released a forecast for the end of 2020 for its key short-term interest rate and for our country’s unemployment rate. Their predictions: The Fed funds rate would be 2.9% and our jobless rate would be just 4.2%. The actual numbers as of today: The Fed funds rate is 0% to 0.25% and our jobless rate is 7.9% (source: Federal Reserve).

Notable Numbers for the Week:

1. **BIG NUMBERS** - The NASDAQ Composite is up +25.3% YTD (total return) through the close of trading on 9/30/20. The NASDAQ Composite has gained at least +20% in 4 of the last 11 years, i.e., 2009-2019. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system (source: NASDAQ).
2. **BEING CAREFUL** - Since the beginning of 2020, the size of the money market fund industry in the USA (both taxable and tax-free) has grown from \$3.63 trillion as of 1/01/20 to \$4.40 trillion as 9/30/20, a YTD increase of \$770 billion or \$20 billion a week (source: Investment Company Institute).
3. **SIMPLER** - As a result of the expansion in the size of the standard deduction in the “2017 Tax Cuts and Jobs Act,” only 10% of tax filers itemized in 2018, down from 30% in 2017 (source: Tax Foundation).
4. **TWO STATES** - Even though crude oil is produced in 32 US states, just 2 states (Texas and North Dakota) are responsible for 52% of the nation’s crude oil production (source: Energy Information Administration).

Securities offered through Kestra Investment Services, LLC (Kestra IS), a member FINRA/SIPC. Investment advisory services offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. Levine Group, LLC is not affiliated with Kestra IS or Kestra AS.

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied. Information is based on data gathered from what we believe are reliable sources. It is not guaranteed by Kestra IS or Kestra AS, as to accuracy does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor. The indices mentioned are unmanaged and cannot be directly invested into. Past performance does not guarantee future results. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market. Copyright © 2020 Michael A. Higley. All rights reserved.

10/05/20 Monday