Market Strategy
by STRATEGAS A BAIRD COMPANY

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Market Strategy Weekly

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Strategas – a Baird Company provides market strategy and perspective to help you better understand what is happening in the world today and how it impacts your portfolio and plans. Exclusive to Baird, these premier market, macroeconomic, and policy insights complement the planning and investment strategy work of your Financial Advisor.

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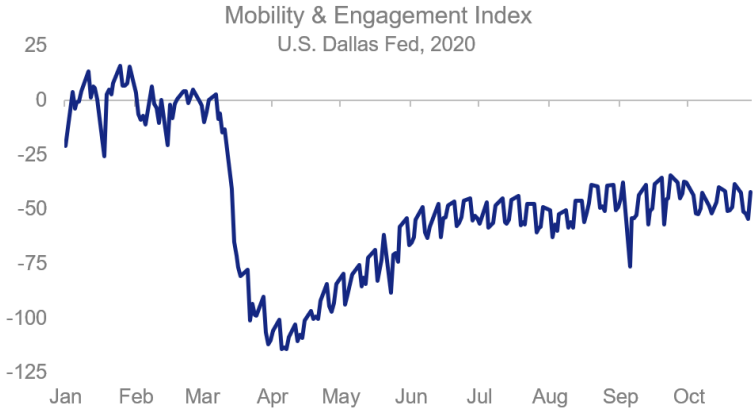
UNCERTAINTY ABATING | PATH TO A VACCINE | EYES ON ACTIVITY AND MOBILITY

Though we are only halfway through the month of November, it sure feels like a lot has happened. On the political front, investors have been buoyed by the removal of election uncertainty and appear to have embraced the likely result—a Biden presidency, a Republican-controlled Senate, and a Democrat-controlled House. From our seat, we hope this helps our government focus its aim. First, by letting the economic recovery continue with a more bipartisan and targeted stimulus bill. And second, by placing top priority on the fight against the pandemic.

Speaking of, we were heartened by the news this week of highly effective results from a COVID-19 vaccine trial. **Though logistical hurdles remain, it's reasonable to believe that the timeline for reopening the economy has now been pulled forward.** This good news is more than welcome; through our investor surveys and conversations, we can tell folks are starting to get eager to get out of the house. On that front, we'll keep an eye on this data from the Dallas Fed measuring mobility and engagement. As we can see to the right, after modest improvement through May/June, the upward trend has softened. The recent surge in cases doesn't help, of course, but a vaccine certainly would.



So how might this play out? In the midst of a clear global surge in cases, better news on the vaccine front may cause some states to take a more aggressive stance on lockdowns—i.e. sacrifice short-term activity for a healthier long-term recovery. While targeted lockdowns would almost certainly lead to a soft patch in growth, they would also fuel pent-up demand. As our Chief Economist Don Rissmiller has suggested, “smart” winter lockdowns, targeted stimulus, and the eventual containment/cure of the virus could lead to a strong reopening and blockbuster economic growth by mid-to-late 2021.

We'll want to begin to position portfolios ahead of that, of course. Some volatility is still to be expected but working with your Baird Financial Advisor will help to frame the implications on your long-term plan. In our portfolios, we continue to accelerate into more traditional cyclical exposures: Industrials, Materials, and Technology on the sector front, and US Mid Cap, US Small Cap, Large Cap Value, and Emerging Markets from a global asset allocation perspective. For a more direct read on the coronavirus’ economic effect, we’ll keep an eye on B.E.A.C.H. stocks—bookings, entertainment, airlines, casinos/cruise lines, and hotels. These industries should benefit from a vaccine and the end of lockdown restrictions.

The post-recession transition from recovery to expansion is never as smooth as we hope it will be. Let the Baird team know if we can help you navigate it. Stay focused on your plan, stay healthy, and we'll see you next week.

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