



Stock rallies are always a welcome sight and last week was no exception. Optimism over additional Covid stimulus and a spike in small-cap stocks sent the S&P 500 up 3.48% for the week (+7.63% YTD)¹. That optimism, along with a jump in Apple stock, prior to a Tuesday announcement, pushed the markets even higher at open on Monday². This week, we'll see earnings announcements from a number of financial and health care related companies.

MarketWatch noted we are finally starting to see inventories growing³. Currently those increases center around items such as lumber and autos but any upward movement in depleted materials and merchandise is welcome. Also, employment rises as the service industry continues to recover from the shutdowns. Restaurants, movie theaters, retailers, etc. are growing sending the employment numbers positive for the first time in months⁴.

The days are rapidly getting shorter and I'm amazed at the temperature differences within a 24-hour period. It hasn't been uncommon to start the day in the 40's and have the mercury top 70 during the day before heading back down. Fall is certainly here, and the colors are turning. It won't be long before flurries will be seen, and the parkas come out of moth balls (is that still a thing?). We are starting to discuss what Thanksgiving will be like this year. Will it be immediate family only or is it every household for themselves? I am hopeful we'll see a workable vaccine and we'll be able to put 2020 behind us and get back to some normalcy. With our first grandchild due next month, we are looking forward to spoiling them (as is our grandparent duty) and it's hard to do that from a distance.

----Chuck

This Week's Inspiration/Activity:

"Conversation means being able to disagree and still continue the discussion."

Author, Dwight MacDonald

Your action for this week (and for the next few also) is to respect those with differing opinions and have a civil conversation. You may find common ground, and you both may learn something from the experience.

This Week in History

October 14, 1947 -- Kaboom! U.S. Air Force Captain Chuck Yeager becomes the first person to fly faster than the speed of sound⁵.

¹ See update below

² <https://www.reuters.com/article/usa-stocks/us-stocks-nasdaq-leads-wall-st-set-higher-on-tech-boost-stimulus-hopes-idUSL4N2H32WT>

³ <https://www.marketwatch.com/story/u-s-wholesale-inventories-climb-0-4-in-august-11602255042?mod=economic-report>

⁴ <https://www.marketwatch.com/story/us-service-economy-grows-again-in-september-ism-finds-and-employment-turns-positive-for-first-time-in-7-months-2020-10-05?mod=economic-report>

⁵ <https://www.history.com/this-day-in-history/yeager-breaks-sound-barrier>

In this week's recap: Stocks soar, despite mixed messages on fiscal stimulus.

Weekly Economic Update

Presented by Charles D. Vercellone, ChFC, October 12, 2020

THE WEEK ON WALL STREET

Stocks staged a powerful rally last week, riding a wave of optimism over the prospect of the passage of a new fiscal stimulus bill.

The Dow Jones Industrial Average rose 3.27%, while the Standard & Poor's 500 increased 3.84%. The Nasdaq Composite index gained 4.56% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, advanced 2.23%.¹⁻³

STIMULUS STALEMATE?

The anticipation of lawmakers passing a new round of economic stimulus was a decisive driver of market action all week.

A mid-week tweet by President Trump announcing that he was ending stimulus negotiations sent stocks lower. Losses were exacerbated by sharp declines in some mega-cap technology companies as details emerged from a House Judiciary subcommittee report on its investigation into their competitive practices.⁴

Stocks quickly reversed direction, climbing after the President tweeted that he would sign a limited stimulus bill, but lawmakers appeared to reject a piecemeal approach.

Stocks consolidated on Friday, helped by continuing stimulus talks and new election polls that suggested that the risk of a contested outcome appeared to be fading.

SMALL CAP RALLY

The outperformance of large cap stocks relative to small cap stocks has been both wide and persistent during the last ten years. Last week's action in small cap stocks, as represented by the Russell 2000 Index, indicates that smaller companies may finally be making up some ground.⁵

Last week, the Russell 2000 Index rose 6.33%, outperforming the S&P 500 by 2.4%.⁶

While this outperformance may be fleeting, a potential broadening of the stock market rally may be considered a healthy development.

FINAL THOUGHTS

This week begins the third-quarter earnings season, with companies from a variety of industry sectors reporting (see below). Early earnings reports start predominantly with the major banks, whose earnings results may provide insight into the general health of American consumers.

As is often the case, company guidance about the future earnings may be of greater interest to investors than past results.

TIP OF THE WEEK



*Use your phone or camera to take a video of your home and your belongings.
Keep it in a safe place. It may come in handy someday.*

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Consumer Price Index (CPI).

Thursday: Jobless Claims.

Friday: Industrial Production. Consumer Sentiment.

Source: Econoday, October 9, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Johnson & Johnson (JNJ), J.P. Morgan Chase (JPM), Citigroup (C), Blackrock (BLK).

Wednesday: Bank of America (BAC), UnitedHealth Group (UNH).

Thursday: Morgan Stanley (MS).

Friday: Schlumberger (SLB), J.B. Hunt Transport Services (JBHT), Kansas City Southern (KSU), V.F. Corporation (VFC).

Source: Zacks, October 9, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

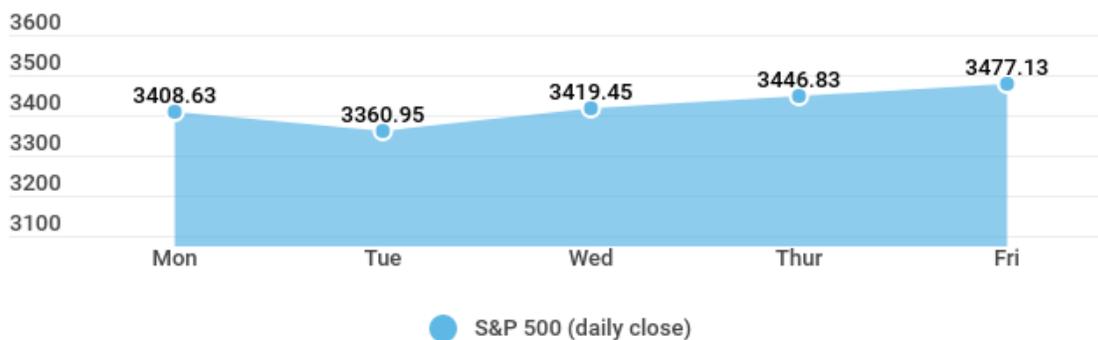
QUOTE OF THE WEEK



“He who has a ‘why’ to live can bear almost any ‘how.’”

FRIEDRICH NIETZSCHE

Market Index	Close	Week	Y-T-D
DJIA	28,586.90	+3.27%	+0.17%
NASDAQ	11,579.94	+4.56%	+29.06%
MSCI-EAFE	1,896.55	+2.23%	-6.89%
S&P 500	3,477.13	+3.84%	+7.63%



Treasury	Close	Week	Y-T-D
10-Year Note	0.79%	+0.09%	-1.13%

Sources: The Wall Street Journal, October 9, 2020; Treasury.gov, October 9, 2020

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, October 2, to Friday, October 9, close.

Weekly performance for the MSCI-EAFE is measured from Friday, October 2, open to the Thursday, October 8, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



Al gives Jane three boxes, one labeled DIAMONDS, one labeled PEARLS and one labeled DIAMONDS OR PEARLS. He tells her that all three boxes are labeled incorrectly, and that one box contains diamonds, one pearls and the other emeralds. Al then tells Jane that if she can guess the contents of any box without opening it, she can keep the contents. How many boxes must Jane open to do this, and/or how many boxes can she keep?

LAST WEEK'S RIDDLE: In 15 minutes, a dress will dry on a clothes wire. How long would it take you to dry five dresses?

ANSWER: 15 Minutes. They all dry at the same rate and at the same time on a clothes wire.

Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI

indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, October 9, 2020
2. The Wall Street Journal, October 9, 2020
3. The Wall Street Journal, October 9, 2020
4. CNBC.com, October 6, 2020
5. The Wall Street Journal, October 8, 2020
6. The Wall Street Journal, October 9, 2020

CHART CITATIONS:

The Wall Street Journal, October 9, 2020
The Wall Street Journal, October 9, 2020
Treasury.gov, October 9, 2020

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