# Weekly Market Commentary
# October 5, 2020

## The Markets

Last week, the third quarter of 2020 came to an end – and the fourth quarter delivered a doozy of an October surprise.

**President Trump has the coronavirus**
On Friday Americans awoke to the news President Trump had contracted COVID-19. Financial markets responded with relative equanimity. After a brief sell-off on Friday, major U.S. indices finished the week, and the third quarter, higher.

**Market enthusiasm cooled in September**
U.S. stock markets moved higher in July and August. Then, in early September, investors became skittish and major U.S. indices recorded losses for several weeks. The surge of uncertainty may have resulted from changing vaccine expectations, concerns about earnings, fears of a disputed election, and lack of new stimulus, reported Ben Levisohn of *Barron's.*

**The Federal Reserve committed to low rates for a long time**
The Federal Reserve's changing policies may have had an influence on markets, as well. The Fed intends to keep interest rates near zero for the foreseeable future. The *Federal Open Market Committee (FOMC) statement* provided a big picture explanation, "The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term."

Yields on 10-year U.S. Treasuries moved in a narrow range during the quarter, finishing near where they started.

**Stimulus talks resumed last week**
Treasury yields rose and stock markets perked last week when Congress resumed stimulus talks. Investors expect $1.3 to $1.5 trillion in new stimulus, according to *BCA Research* cited by *Kiplinger's*.

Additional stimulus measures were expected early in the third quarter, after CARES Act provisions ran dry in July. However, better-than-expected economic data and a reluctance to increase the burgeoning budget deficit made some in Congress adopt a wait-and-see approach, reported Victor Reklaitis of *MarketWatch*.

By last Friday, stimulus negotiations appeared to have stalled again. However, there were new calls for action over the weekend, following Friday's weaker-than-expected employment report, according to Jacob Pramuk of *CNBC*.

**The pace of recovery may be slowing**
Throughout the third quarter, employment improved steadily. In July it was 10.2 percent. By September, it had fallen to 7.9 percent. While continued improvement is important, the pace of jobs creation slowed last month. Consensus estimates for September suggested the economy would produce 850,000 new jobs. It came up short at 661,000. That could be a sign economic growth is slowing.

**Economic growth improved during the third quarter**
During the second quarter (April through June), the U.S. economy shrank by about a third (-31.7 percent). Data for third quarter economic growth is not yet available, but it is expected to show a significant improvement. The *Atlanta Federal Reserve's GDPNow* estimates third quarter growth could be as high as 34.6 percent.

While a double-digit rebound would be welcome news, Aaron Weitzman of *The Bond Buyer* pointed out a 34.6 percent rebound does not offset a 31.7 percent contraction. The economy needs to grow by 46 percent to get back to even.

**Volatility is likely to continue**
Global markets may be volatile through the end of 2020.

| Data as of 10/2/20 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|
| Standard & Poor's 500 (Domestic Stocks) | 1.5% | 3.6% | 16.0% | 9.8% | 11.4% | 11.4% |
| Dow Jones Global ex-U.S. | 1.6 | -6.5 | 3.5 | -1.0 | 3.6 | 1.8 |
| 10-year Treasury Note (Yield Only) | 0.7 | NA | 1.6 | 2.3 | 2.0 | 2.5 |
| Gold (per ounce) | 2.3 | 25.0 | 27.5 | 14.3 | 10.8 | 3.8 |
| Bloomberg Commodity Index | -1.3 | -13.7 | -10.0 | -5.9 | -4.5 | -6.6 |

S&P 500, Dow Jones 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.

**THE VERY BEST WRONG TEST ANSWERS.** Almost everyone has come across a test question they couldn't answer. Some ingenious souls provide their teachers with some humor instead. British author Richard Benson asked teachers to share their favorite wrong test answers, and he shared a few with *Business Insider*:

*Q: When did the founding fathers draft the Constitution?*

A: It was a second round pick, right after LeBron James.

*Q: Describe what is meant by "forgetting."*

A: I can't remember.

*Q: What is a nitrate?*

A: It is much cheaper than a day rate.

*Q: Upon ascending to the throne, the first thing Queen Elizabeth II did was to…*

A: Sit down.

*Q: Where was the Declaration of Independence signed?*

A: At the bottom.

## Weekly Focus – Think About It

"You pay a very high price for a cheery consensus. It won't be the economy that will do in investors; it will be the investors themselves. Uncertainty is actually the friend of the buyer of long-term values."

*Warren Buffett, Investor and philanthropist*

Best regards,

Moshides Financial Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
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