



In this week's Highlights, Ryan Grabinski discusses how further economic gains will get harder going forward, the election is taking center stage in Washington, and deficits generally bode well for equities.

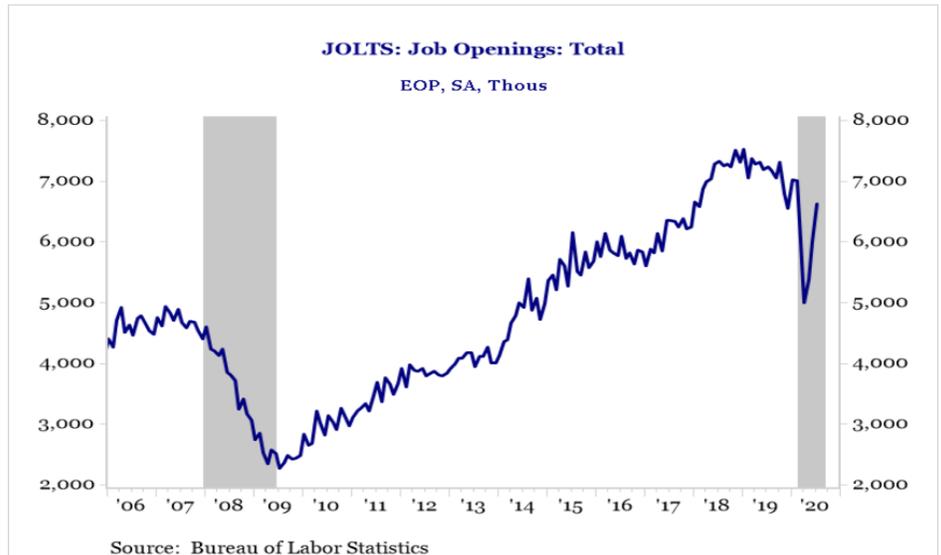


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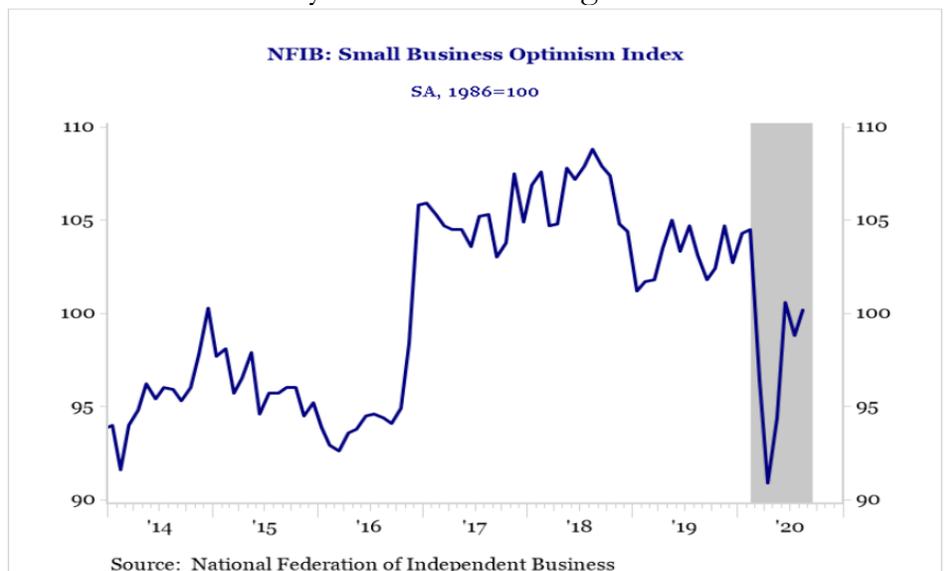
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Further Recovery Gets More Difficult

- The net effect of the prior stimulus, savings, and the current patchwork has kept the U.S. consumer going through August. We are assuming an additional fiscal package (>\$1 trillion) will be the ultimate result of current D.C. negotiations. However, the next half of the jobs recovery is still likely to get harder as we move toward 4Q.

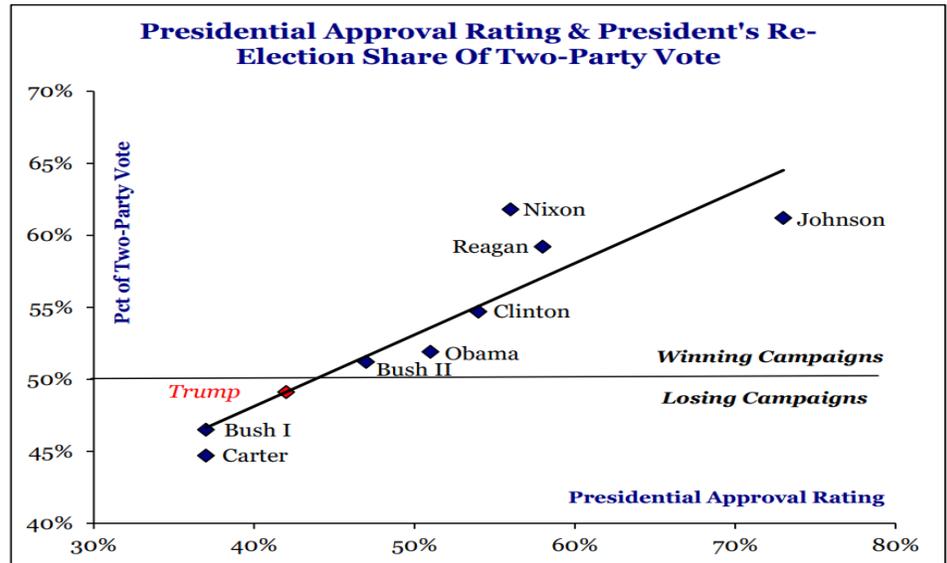


- The NFIB small business index rose to 100.2 in August, continuing the uptrend of the past four months. With many small businesses likely staring at the end of PPP funds, many small businesses may also be thinking it's now or never.

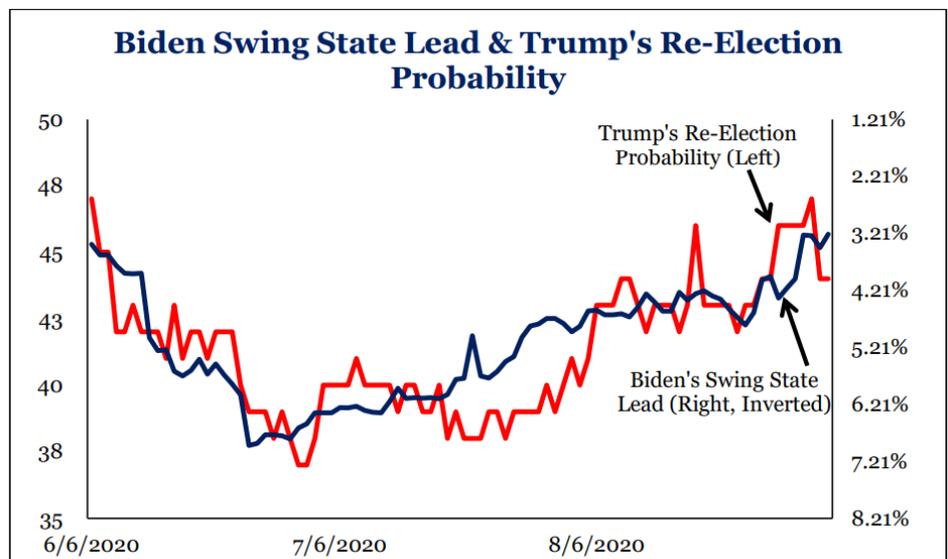


Election Coming into Focus in Washington

- Trump is currently behind in the election, but his Gallup approval rating has been quietly climbing. This chart has an R2 of 82%. For most of the summer, Trump was hanging out with Carter and H. W. Bush, but he has worked his way back and his approval is consistent with receiving 49% of the vote.

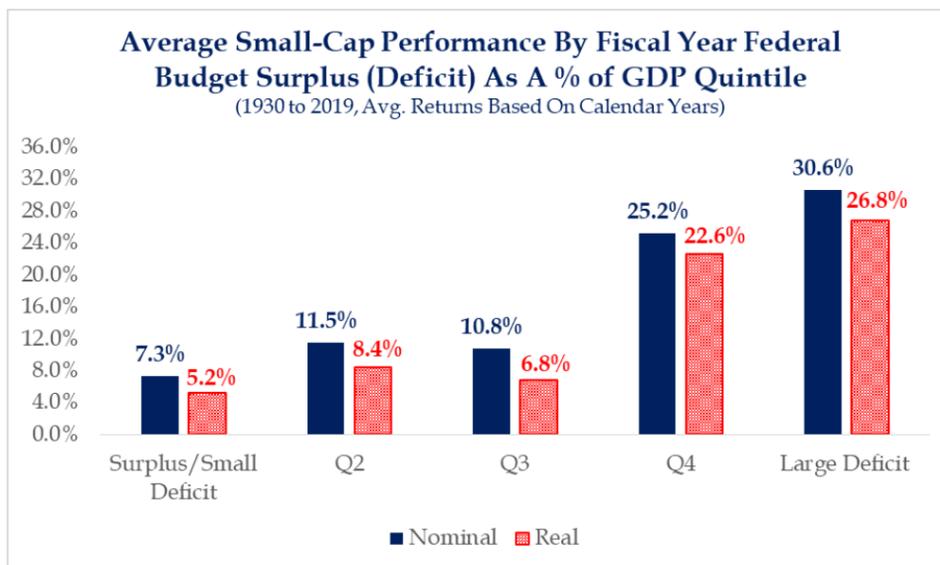


- Biden’s national lead at 7 percent is quite large. Still, the swing states are what matter. If the polling is correct, there is about a 4 percent spread between the national vote and the swing states.



Deficits Generally Lead to Strong Equity Returns

- Small caps vastly outperform large caps during periods of high budget deficits, while equities, in general, trounce the returns of corporate debt in such timeframes.



- If there is a blemish on the current bull market that started on March 23rd in a traditional sense, it has been the lack of participation of the Financials. As the tables below indicate, not owning the Financials sector at all would have added 430 basis points of outperformance through the market high on September 2nd and 370 basis points of outperformance through 9/10. With economic news undoubtedly getting better, we will feel more confident about the next leg of the bull market when Financials start to outperform and the 10-year Treasury rises.

S&P 500 Performance Jan. 1 to Sep. 2	
ex. Financials	15.0%
ex. Energy	13.1%
ex. Industrials	11.9%
ex. Utilities	11.2%
ex. Health Care	11.2%
ex. Staples	11.1%
ex. Real Estate	11.0%
ex. Materials	10.8%
ex. Communications	9.7%
ex. Discretionary	8.6%
ex. Technology	2.5%
ex. Top 5	1.0%
ex. Top 10	0.4%
S&P 500	10.7%

S&P 500 Performance Year-To-Date	
ex. Financials	6.9%
ex. Energy	5.5%
ex. Industrials	4.1%
ex. Utilities	3.6%
ex. Real Estate	3.4%
ex. Staples	3.3%
ex. Health Care	3.3%
ex. Materials	3.2%
ex. Communications	2.4%
ex. Discretionary	1.2%
ex. Technology	-2.9%
ex. Top 5	-4.2%
ex. Top 10	-4.8%
S&P 500	3.2%

*performance in tables is based on changes in market capitalizations.

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