



Weekly Commentary

August 31, 2020

THE MARKETS

The stock market rallies like it's 1986.

August has been a good month for stock investors. At the end of last week, the S&P 500 Index was up 6.8 percent for the month. The Index is poised to deliver its best returns for the month since 1986, when it gained 7.1 percent, reported *Financial Times*.

The performance of U.S. stock markets is remarkable, in part, because, so far, company earnings – the profit that publicly-traded companies earn and report each quarter – haven't been great in 2020. Earnings were down 31.9 percent during the second quarter of the year, reported FactSet. The decline in earnings reflected the impact of coronavirus closures.

Weak second quarter earnings had little impact on U.S. stocks, however. Instead, investors appeared to focus on 'upside earnings surprises.' That term is used to describe companies with earnings that exceed analysts' expectations. During the second quarter, 84 percent of companies in the S&P 500 beat analysts' estimates.

FactSet reported other factors have been cited to explain the upward trajectory of

stock markets, as well. These include:

- Improved earnings sentiment
- Expectations for additional fiscal stimulus
- Optimism about coronavirus treatments and vaccines
- Fear-of-missing-out (FOMO) as the market moves higher

The list should also include the Federal Reserve's strategy for inflation and employment, which was announced last week. Randall Forsyth of *Barron's* reported:

"In practical terms, the central bank's current policy of near-zero interest rates and heavy purchases of Treasury and agency mortgage-backed securities will continue as long as unemployment remains elevated. The chasm between a Wall Street at record levels and a Main Street in a near-depression will persist as a result."

Last week, the Standard & Poor's 500 and Nasdaq Composite Indices chalked up a fifth consecutive week of gains, while the Dow Jones Industrial Index moved into positive territory for 2020.

Data as of 8/28/20	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	3.3%	8.6%	21.5%	12.8%	12.0%	12.8%
Dow Jones Global ex-U.S.	2.0	-3.7	8.5	0.6	3.5	3.0
10-year Treasury Note (Yield Only)	0.7	NA	1.5	2.2	2.2	2.6
Gold (per ounce)	1.7	28.5	27.3	14.1	11.5	4.6
Bloomberg Commodity Index	2.4	-9.6	--5.2	-4.3	-3.9	-5.7

Notes: S&P 500, DJ 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.

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COULD YOU PASS THE AMERICAN CITIZENSHIP TEST?

It's not easy to become an American citizen. In fact, newly-minted citizens may know more about the history of the United States than many of us who were born here. In 2018, a national survey reported just one-in-three Americans scored 60 percent or better on a multiple-choice test that included questions from the U.S. Citizenship Test.

See what you know about the United States by taking this brief quiz:

1. What does the Constitution do?

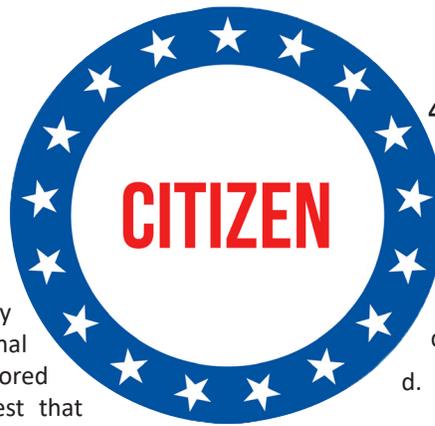
- Defines the government
- Sets up the government
- Protects basic rights of Americans
- All of the above

2. Name one of the two longest rivers in the United States.

- Mississippi River
- Colorado River
- Ohio River
- Rio Grande River

3. What did Susan B. Anthony do?

- Founded the Red Cross
- Made the first flag of the United States
- Fought for women's rights
- Was the first woman elected to the House of Representatives



4. Which statement correctly describes the "rule of law?"

- The law is what the president says it is
- The people who enforce the laws do not have to follow them
- Judges can rewrite laws they disagree with
- No one is above the law

5. When was the Constitution written?

- 1492
- 1776
- 1787
- 1865

6. Name your U.S. Representative.

WEEKLY FOCUS – THINK ABOUT IT

**"When humor goes,
there goes civilization."**

--Erma Bombeck, Humorist, writer, columnist

- Quiz Answers:
- D - All of the above (Defines the government, Sets up the government, Protects basic rights of Americans)
 - A - Mississippi River
 - C - Fought for women's rights
 - D - No one is above the law
 - C - 1787
 - Look up your representative at <https://www.house.gov/representatives/find-your-representative>

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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 e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® - Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike's prior experience was with PaineWebber, Merrill Lynch and Lehmann Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan, Mona Shores Education Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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