GBA Financial
financial planning for retirement

Newsletter
October 2020

COMMENTARY

Welcome to 'silly season'

October kicks off silly season and this year is no different. Kids dress up in costumes for trick or treating (maybe not this year), adults dress up for Halloween parties (maybe not this year), every four years we get Presidential debates (maybe not this year or we'll call it something different if the next ones are like the first) before elections. The markets are no different, as portfolio managers reposition portfolios, capture gains, reallocate to underperforming positions, or make various other moves to take advantage of their outlooks after the slower summer months (maybe not this year). As rumors of the family dressing up as fish (Nemo, Marlin, and Dori), "no matter what," the phrase "maybe not this year" keeps coming up. At the start of the year we set our price target on the S&P 500 at 3900. This was a bold call as the S&P closed 2019 at 3230.78 meaning our price target was 20.7% for 2020. When COVID-19 hit the United States and the equity market

ECONOMIC HIGHLIGHTS

S&P 500	3,363.00
DIJA	27,781.70
NASDAQ	11,167.51
OIL	$40.22/BARREL
GOLD	$1,895.50/OUNCE
10-YEAR TREASURY YIELD	0.68%
UNEMPLOYMENT	8.40%
GDP	-32.80%
PPI	-0.17% Year-Over-Year
CPI	1.31% Year-Over-Year

Source: www.ycharts.com

The consumer confidence index for September came in at 101.8, easily beating expectations. Consumer confidence had stayed near the April lows until this month's big jump. The economy is nowhere near fully recovered, but this is at least a positive development.

The job market is seeing both positive and negative news. Private payrolls added 749k jobs in September, beating Dow Jones estimates of 600k. On the other hand, we have seen instances of huge layoffs at companies like Disney and American Airlines.

After months of delays to additional COVID-19 stimulus, the Whitehouse and Congress are back at the negotiating table. While initial discussions failed to produce a deal, both sides believe additional stimulus is needed, but only time will tell if a compromise can be reached.

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sold off, we were thinking "maybe not this year" for our price target. "Maybe not this year" is probably still the right way to think about 3900 at year end, but I think there is a shot we get there. If we do not get there in 2020, I think next year we will see it sooner than later.

Since the market bottom on March 23rd, the market has had four pullbacks greater than 6 percent (indicated by the blue squares). With each pullback we have seen higher highs and higher lows, this is called an uptrend. We continue to believe the markets upward trend will continue but expect pullbacks along the way. Also, on the chart are levels we are watching for possible support and/or resistance to come into play on the S&P 500. The two we are currently in between, will most likely be more short-term support/resistance levels, and we think the levels of 2950-3000 is a big support level that needs to hold (if we get down there) and the previous all-time high to 3600 could become resistance in the future.

Expect volatility to be elevated for the rest of the year and probably until we have a COVID-19 vaccination distributed. We cannot stress enough how important it is to continue to focus on your long-term goals and objectives and not let noise (news) get in the way. With that said, our long-term view on the equity market is still bullish and we believe we are in the middle part of a secular bull market that, which from a historical perspective, could have another 10 years left. We also believe we are just starting a new cyclical bull market after the last one ended in the March selloff. From a tactical portfolio position, we are currently overweight equities but did reduce overall equity exposure in June 2020 with a directed trade. We have also added single issue stocks into a few select models where the risk tolerance makes sense. For non-qualified accounts we've adjusted some of our municipal bond positioning to better align fixed income with our outlook. We continue to follow our disciplined rebalancing process which calls for rebalancing between equities and fixed income when either fall out of their targeted exposure. From a portfolio positioning standpoint, we are always looking for intermediate-term and long-term opportunities and continue to monitor accounts daily with our commitment to rebalance accounts as they fall outside of their equity-to-fixed income ratio.

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	8.93%	15.15%	12.28%	14.15%
MSCI EAFE	4.80%	0.49%	0.62%	5.26%
BAR AGG BOND	0.62%	6.98%	5.24%	4.18%

Source: Morningstar Direct

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
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