

WEEKLY MARKET UPDATE

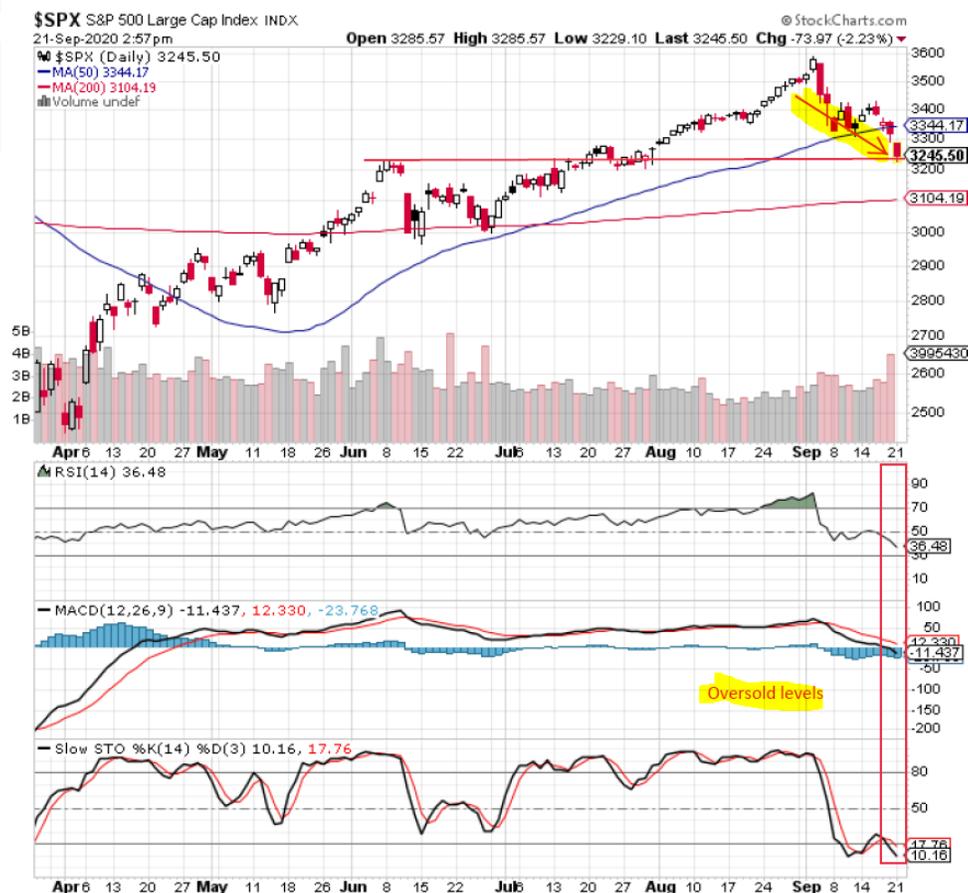
September 21, 2020



Oh September!

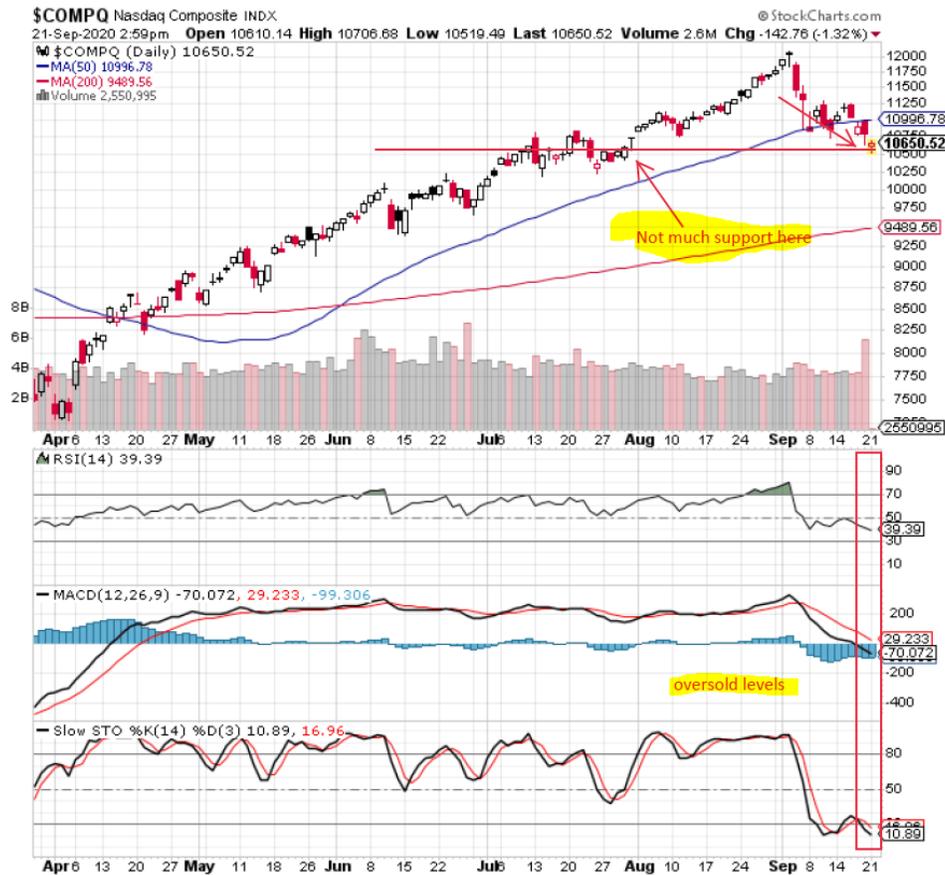
Historically September is the worst performing month of the year, although October usually sees the culmination of the pullback and the exhaustion of selling.

So, we're in September and sure enough we are getting a round of selling, just when everyone thought it was safe to wade back in. Let's take a look at how the major markets are faring for the month and some of the major contributors. You can see that the market is oversold on a short-term basis and likely to catch its breath.



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Next is the Nasdaq Composite. You can see a similar pattern developing. It's not hard to see why those charts are similar, since their top holdings are very similar.



S&P 500 Top 5 holdings

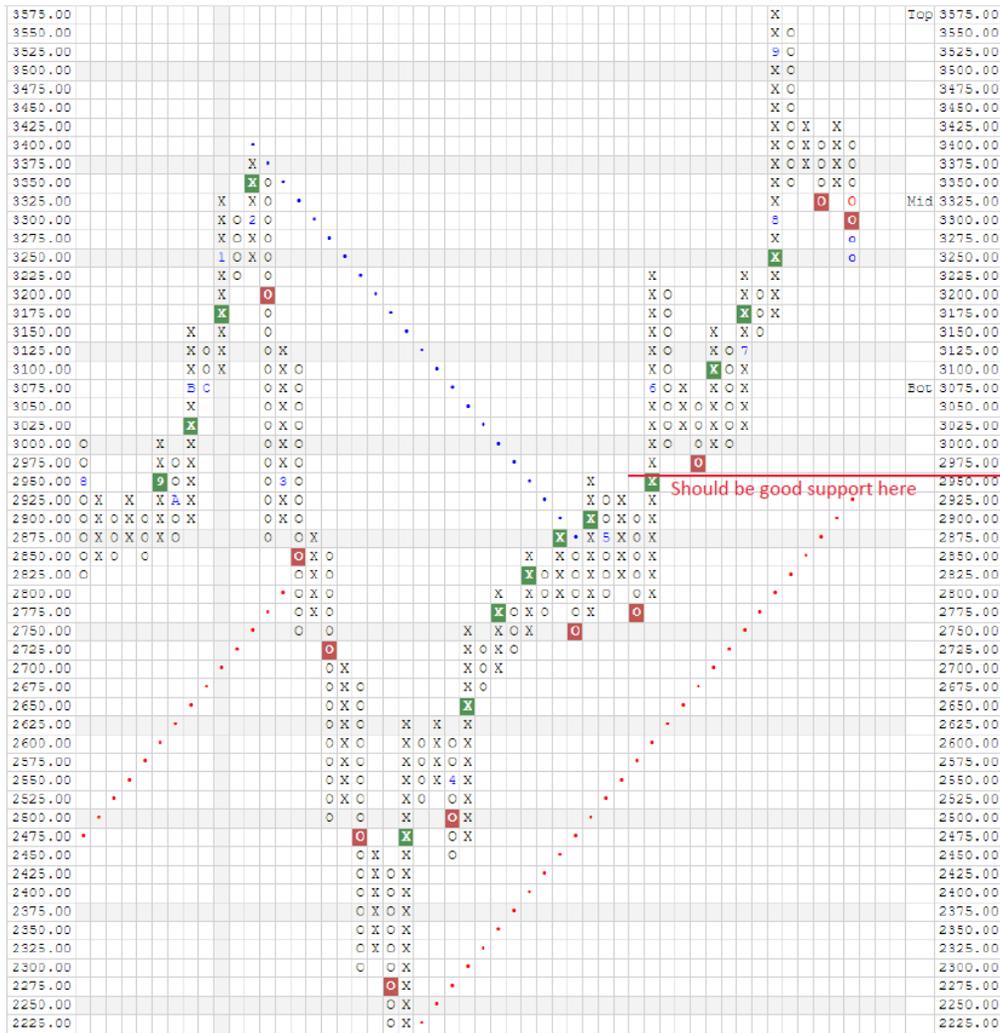
| | |
|------------|--------------|
| Microsoft | 6.00% |
| Apple | 5.78% |
| Amazon | 4.49% |
| Facebook | 2.12% |
| Alphabet A | 1.65% |
| Alphabet C | <u>1.61%</u> |
| | 21.65% |

Nasdaq 100 Top 5 holdings

| | |
|------------|--------------|
| Microsoft | 11.17% |
| Apple | 11.15% |
| Amazon | 9.74% |
| Facebook | 4.34% |
| Alphabet A | 3.95% |
| Alphabet C | <u>3.90%</u> |
| | 44.25% |

Like we've said before, the large indexes are not as diversified as you might think. One could argue that there is not much benefit of diversification if you owned both of these indexes. They've worked! You might also think there is diversification, but clearly, not so much.

Below is a point-and-figure chart for the S&P 500, which tends to be our favorite way of looking at the markets. You can see that it has pulled back around 10% (same as the other charts), but the question that is still unanswered is where is it going from here? Well, as always, we don't profess to know the future, but try to look at the weight of the evidence. Every bear market starts with a 5% pullback, but not every 5% pullback turns into a bear market. It's only with the benefit of hindsight that we are able to say whether that 5% pullback was telling us something more.



Below are charts of 4 of the top holding mentioned above.



To varying degrees, these charts all look the same, and depending on how far above their averages they were will say how close they are to support. Amazon (AMZN) being the one farthest from

support and Alphabet (GOOG) sitting on its 200-day moving average.

The point of this whole thing right now, like we've said many times lately, where these top 5 stocks go, so the market has gone. Will we continue to see this getting more extreme or will the overvalued mega cap growth stocks give up their leadership to a different group - like small caps, international stocks, or commodities? We will find out in due time.

For now, our model went positive at the beginning of the month, but we didn't put all of our dry powder to work, given how overbought the market was at the time. That is not the case now, and we certainly have an opportunity to put more of that dry powder to work at much better prices. We acknowledge that we could get whipsawed in this market, so we will continue to keep a sharp eye on what's happening.

As always, we welcome your comments and questions. In the meantime, we'll continue to test our assumptions, dig into our research, and lean into our model as we seek to be ever mindful of risk while pursuing long-term returns for your portfolio. Happy start of Autumn to you all. Will this be the turning point that 2020 needs? With an election looming, something tells us we may not be out of the proverbial woods quite yet!

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