

Thursday, October 15, 2020

Good Morning,

Stocks rallied last week, and the S&P 500 had its best week in 3 months. The rally was driven by stimulus optimism, fewer concerns around a contested election, better news around COVID-19 vaccines and therapies and several positive earnings pre-announcements. However, recent sessions have signaled an acceptance that a pre-election deal is unlikely to be reached. . At stake are the particular political preferences of the two parties and whether the stimulus provided will be enormous or gargantuan. It's likely to contain significant handouts and waste, either way. Delays are at the risk of growing hardship for individuals and small businesses – which impact the real economy, and eventually markets.

Unfortunately for the US, new COVID-19 cases continue to rise. Looking at the chart prepared by Johns Hopkins, we are on a trajectory to exceed the high peak daily case count of mid-July at some point in November. This is the second wave the medical community warned of. It is clear that Americans have pandemic fatigue – I know I do. We are social creatures, and some folks can't resist large gatherings, or they just don't care anymore. The problem remains that as long as one person has the virus, the threat of spread remains.

With less than three weeks to go, polls show that Democrats have a real chance of re-taking the White House and perhaps the Senate. All politics aside, a sweep of that nature could put downward pressure on stocks based on anticipated higher corporate tax rates and higher capital gain rates for individuals. Increased corporate tax rates decrease corporate profits and higher capital gain rates make stocks less profitable to own for investors. Of course, polls have been wrong before. On election night four years ago, exit polls showed Hillary Clinton winning handily at dinner time. By bedtime, Donald Trump had won. Don't trust the polls; get out and vote!

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your weekend,

*Wade*

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