

Thursday, October 22, 2020

Good Morning,

Markets appear to have reached a consolidation phase. With relatively high stock valuations, corporate earnings will drive individual stock performance for now. Overall, we expect markets to remain 'jumpy' as we wait for clarity on medical treatments for the virus and the postelection environment.

Retail sales rose 1.9% in September, easily exceeding the 0.8% rise expected by economists. Aid from the CARES Act appears to have achieved its goal of assisting citizens through the economic upheaval caused by the pandemic. Serious questions remain as to whether or not consumer spending can maintain momentum without additional congressional relief. Furthermore, expanding COVID-19 case counts could force more shutdowns and create economic headwinds through the fall and winter seasons. Counting on a vaccine rescue may lead to real disappointments.

COVID relief comes in the form of additional government debt. The US government had a record \$3.13 trillion deficit during fiscal year 2020 (the 12 months ending 9/30/20), smashing the previous record deficit of \$1.41 trillion set 11 years ago during fiscal year 2009. The government has maintained financial records since 1789. As of 9/30/10, the US had reached a national debt of \$13.56 trillion. Ten years later, the US has amassed a national debt of \$27.14 trillion. Thus, the US has accumulated more debt in the last ten years than it had in its first 221 years (source: Treasury Department). Does our national debt even matter? With interest rates near all-time lows, perhaps not for the moment. The answer may change when rates rise again, and the government's debt service impacts its social services.

We are fast approaching November and an event immersed in controversy. Two sides are lining up for a fight. Of course, I'm talking about the end of daylight savings (November 1st) when we turn the clock back one hour. Does anyone really believe 2020 should be one hour longer? #don'tchangetheclock!

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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.

Have a great week!

Wade

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