

BECKER WEALTH MANAGEMENT, LLC

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Three week S&P market rally snapped as election looms.

A three-week S&P 500 up streak was snapped last week with headlines dominated by the dizzying shift between stimulus optimism and stimulus pessimism, the election homestretch, growing CoVid wave concerns, and 3Q earnings.

We saw atypical sector price action with technology joining REITs and staples on the downside while big tech communications, financials, and utilities led the way for the week. Longer term yields moved in a reflationary direction with 10-, 20-, 30-year rates climbing 9 basis points - 12bps and the curve continued to steepen over levels seen the past few months. The USD lost ground (-0.98%) versus most major currencies while commodities dropped approximately 1%.

Market Anecdotes

- Biden's lead narrowed slightly last week but he continues to be favored in what will likely be a very close race. Control of the Senate looks like a coin toss and control of HOR is likely to remain with team D.
- Rising odds of a divided government (Democratic WH, Republican Senate) pose near term risks to financial markets in the form of restrained fiscal stimulus.
- With 27% of S&P 500 companies reported, Factset reports earnings beat rate of 84% by a magnitude of 17.1% and a -16.5% bottom line. Revenue is on pace for a -2.9% decline.
- CoVid cases in the U.S. are making new records as we approach the winter season with positive test rates, hospitalizations, and deaths following the trend higher. The U.S. pales in comparison to Europe where case counts have doubled in the past 2 ½ weeks.
- We find it notable that neither bond yields or credit spreads have yet flinched on stimulus, earnings, or election anxiety.



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If anything, they seem to be moving toward the D-sweep 'go big' reflationary fiscal spend with little credit spread widening.

- BCAs nominal cyclical spending proxy, which leads bond yields by three to six months, has hooked up violently in recent months, suggesting a steeper yield curve is around the corner.
- Economic growth, not M2 growth will drive the cyclical inflation outlook with disinflationary risks of labor market slack and curtailed fiscal spending keeping a headwind on PCE inflation.
- Concerns about the trajectory of U.S. government indebtedness are tangible but the world's threshold is unique given the USD status as a reserve currency. As of the second quarter 2020, the USD share of global central bank reserves was 61.3%.
- Goldman Sachs reached a deal with the DOJ regarding its involvement with a massive fraud at Malaysian sovereign wealth fund. The price tag is over \$2bn (2.7% of GS market cap).
- MSFT announced underwater data centers are reliable, practical, and highly energy efficient.

Economic Release Highlights

- October's flash U.S. composite PMI came in at 55.5 while Eurozone may be showing more of a CoVid impact, falling into contraction territory at 49.4. Overall, the readings are positive, but can be expected to reverse quickly if the COVID trajectory does not slow down.
- October's NAHB HMI set a new record high (over September) of 85 which was 2 points above forecast and above September's reading of 83.
- September existing home sales crushed estimates (6.540m v 6.2m), posting a significant rise over the prior month reading of 5.980m.
- A miss on September's Housing Starts (1.415 vs 1.463) and a beat on Building Permits (1.553 vs 1.52) translates to a mixed wash overall but have remained on a sharply rising trendline.
- Chinese GDP growth improved from 3.2% to 4.9% in the third quarter. It missed expectations but largely due to the rapid pace of import growth hurting net export trade balance.
- Weekly jobless claims (787k) dropped below 800k for the first time since March and were almost 100k below forecast. 8.373mm continuing claims also came over 1mm below consensus.

INSIGHT

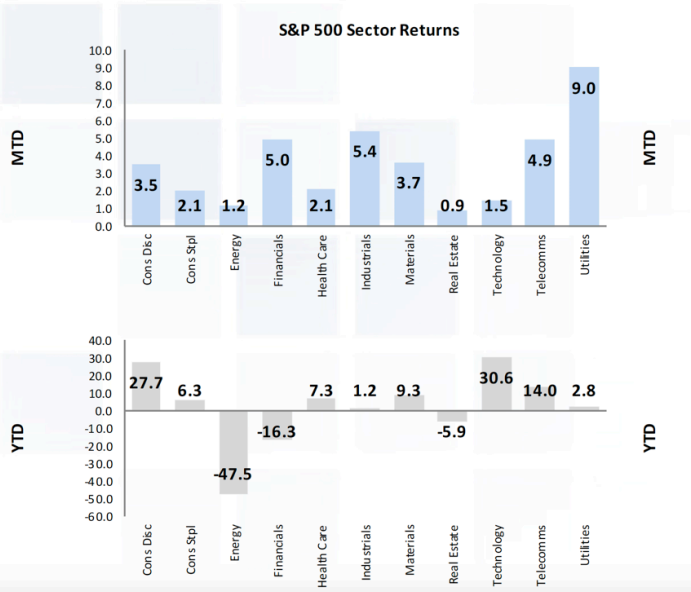
MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	9/30/20	6/30/20	3/31/20
Dow Jones	28336	(0.90)	5.98	6.88	1.17	8.14	Oil (WTI)	40.69	40.05	39.27	20.51
NASDAQ	11548	(1.06)	8.64	10.61	29.64	43.59	Gold	1905.10	1886.90	1768.10	1609.00
S&P 500	3465	(0.51)	7.18	7.55	8.88	17.54					
Russell 1000 Growth		(1.21)	7.62	11.43	27.62	40.02	Currencies	Current	9/30/20	6/30/20	3/31/20
Russell 1000 Value		0.21	7.53	4.90	(7.68)	(1.85)	USD/Euro (\$/€)	1.18	1.17	1.12	1.10
Russell 2000		0.42	13.13	10.43	(0.60)	7.16	USD/GBP (\$/£)	1.30	1.30	1.24	1.25
Russell 3000		(0.48)	7.89	8.34	9.40	18.17	Yen/USD (¥/\$)	105.41	105.41	107.77	107.53
MSCI EAFE		0.11	1.86	1.07	(5.22)	0.21					
MSCI Emg Mkts		1.11	5.59	5.93	4.16	13.06	Treasury Rates	Current	9/30/20	6/30/20	3/31/20
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Month	0.10	0.10	0.16	0.11
US Aggregate	2.29	0.01	(0.03)	(0.11)	(0.41)	(0.42)	2 Year	0.18	0.13	0.16	0.23
High Yield	5.41	(0.02)	(0.15)	(0.15)	(0.03)	(0.15)	5 Year	0.37	0.28	0.29	0.37
Municipal	2.00	0.00	(0.00)	(0.02)	(0.14)	(0.16)	10 Year	0.85	0.69	0.66	0.70
							30 Year	1.64	1.46	1.41	1.35

Style Returns

	V	B	G
L	4.40	3.48	2.65
M	6.91	6.65	6.19
S	10.91	8.85	7.00

	V	B	G
L	-7.68	10.10	27.62
M	-6.82	4.15	20.98
S	-12.98	-0.60	11.15



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