

# BECKER WEALTH MANAGEMENT, LLC

A WEEKLY NEWSLETTER PUBLICATION OF BECKER WEALTH MANAGEMENT

## 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.



Photo Source: www.bigstock.com

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.

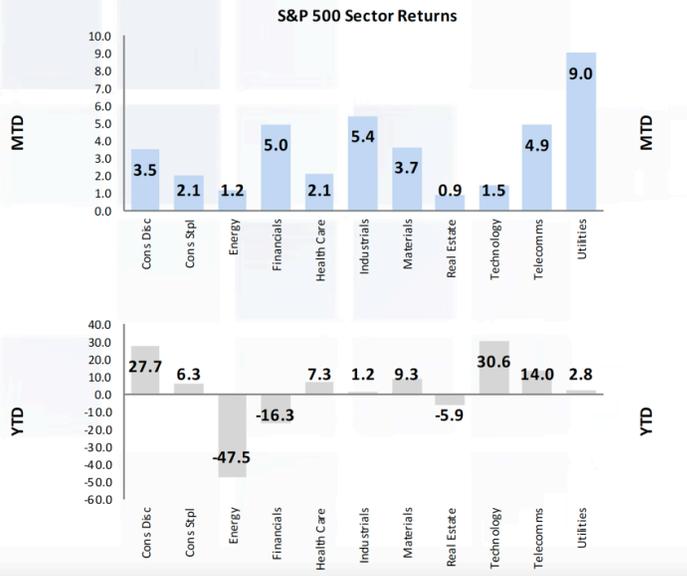
# INSIGHT

## 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	<b>Currencies</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
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	<b>Treasury Rates</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
<b>Fixed Income</b>	<b>ΔYield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	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

	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



949-724-4575 | [www.beckerwealthmanagementllc.com](http://www.beckerwealthmanagementllc.com)

Investment Advisory Services are offered through Virtue Capital Management, LLC, an SEC Registered Investment Adviser. VCM and Becker Wealth Management are independent of each other. This newsletter is not to give investment advice. Before investing in any advisory product please carefully read any disclosure documents, including without limitation, the firm's Form ADVs. Indices do not reflect the deduction of any fees or expenses. They are not available for direct investment. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The DJIA was designed to serve as a proxy for the broader U.S. economy. The Nasdaq Composite Index is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. It is used as a broad-based market index. The S&P 500 index is designed to be a broad based unmanaged leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe or representative of the equity market in general. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. Total Return assumes dividends are reinvested. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000 measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 index is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. Visit [www.russell.com/indexes/](http://www.russell.com/indexes/) for more information regarding Russell indices. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The information published herein is provided for informational purposes only, and does not constitute an offer, solicitation or recommendation to sell or an offer to buy securities, investment products or investment advisory services. Nothing contained herein constitutes financial, legal, tax, or other advice. These opinions may not fit your financial status, risk and return profile or preferences. Investment recommendations may change, and readers are urged to check with their investment adviser before making any investment decisions. Estimates of future performance are based on assumptions that may not be realized. Past performance is not necessarily indicative of future returns or results. No representation is made as to the accuracy, completeness or timeliness of the information in this material since certain information herein is based on or derived from information provided by independent third-party sources. All enclosed material including market analysis data provided Taiber Kosmala & Associates, LLC. There is no duty to update this information. The Wilshire 5000 Total Market Index represents the broadest index for the U.S. equity market, measuring the performance of all U.S. headquartered equity securities with readily available price data. The PHLX Semiconductor Sector Index (SOX) is a capitalization-weighted index composed of 30 semiconductor companies. The companies in the Index have primary business operations that involve the design, distribution, manufacture and sale of semiconductors. The index is designed to track the performance of listed semiconductors. The Case-Shiller Index, formally known as the S&P/Case-Shiller Home Price Index is made up of several indexes that track the value of single-family detached residences using the arms-length and repeat-sales methods. It is used as a barometer not just of the housing market, but also of the health of the broader economy. For more information on the index, please visit <https://www.spglobal.com/>. All information obtained from Taiber Kosmala & Associates (2020). The secured overnight financing rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing the London interbank offered rate (LIBOR). Interest rate swaps on more than \$80 trillion in notional debt switched to the SOFR in October 2020.