

BECKER WEALTH MANAGEMENT, LLC

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Strong market bookends offset three down days midweek.

A decent economic calendar, ample political jockeying, and earnings season kicking off were the key market head-

lines last week. Strong equity market gains on the bookends offset three down days in the middle (T, W, Th) last week. U.S. markets finished relatively flat led by gains in industrials and big technology. Developed and emerging markets (ex/ China) were down 1%-3% across the board and rates fell slightly on longer maturities in a holiday shortened week for the bond markets. Once again, there was no progress made on stimulus negotiations as SCOTUS nominations and election final stretch were all that came out of DC.

Market Anecdotes

- Earnings kicked off in earnest last week on a positive note. Blended earnings growth is at -18.4%, notably better than estimates at the end of June -25.3% and September -21%.
- Outperformance of tech-heavy momentum stocks can arguably be seen as a more bearish economic 'CoVid wave' proxy as opposed to a cyclical leadership driven 'reopening' bid.
- The NASDAQ is up 30% YTD which would mark the second consecutive 30%+ year if it holds. Surprisingly, 30% gains aren't very rare in the higher-octane NASDAQ index.
- High yield spreads moved back below 500 in sympathy with a stock market pinned on a large stimulus and pending vaccine developments.
- The Atlanta Fed GDP Now model is forecasting 3Q GDP at a 35.2% seasonally adjusted clip, a strong bounce off the bottom.
- The expected surge in CoVid cases during the change in seasons is here. Europe has been trending higher for a



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few weeks and WoW cases in the U.S. are up 14% with nearly all states seeing new cases accelerating.

- Odds of a D-sweep are trending around 55%-60% which has, somewhat surprisingly, become a risk on rally point on Wall Street. Aggressive fiscal stimulus, vaccine hopes, and a persistent Fed are all working to offset market concerns over higher taxes and regulations.
- According to the Voter Study Group, only 4% of the US electorate identified as socially liberal and fiscally conservative in 2016, compared to 29% who saw themselves as fiscally liberal and socially conservative
- Election predictions aside, we can confidently say that strong voter turnout and a significant rise in early voting (CoVid) are both very safe bets.
- A recent Bank of America survey reported 61% of institutional managers have a contested election as their base case suggesting current volatility term structures are consistent with that view.
- Banks switched from LIBOR to SOFR last weekend which is the new reference rate governing over \$80 trillion worth of swaps contracts.
- British PM Johnson suggested the UK should prepare for a hard Brexit after the European Union refused to entertain a

trade deal similar to EU-Canada.

Economic Release Highlights

- Retail sales, after showing signs of stalling in August, handily beat expectations in September (1.9%a vs 0.7%e). The beat extended to all subsets excluding vehicles (1.5% v 0.3%), excluding vehicles & gas (1.5% v 0.5%), and control group (1.5% v 0.2%).
- U.S. industrial production (-0.6% v +0.6%) and manufacturing output (-0.3% v +0.8%) both missed expectations in September.
- NY and Philly regional manufacturing indices showed Empire (10.5 vs 14.5) missing estimates but still solidly positive and Philly surging (32.3 vs 14.5) on robust new orders.
- NFIB small business optimism came in well above expectations (104 vs 100.9), now back to levels we had pre-CoVid.
- UofM consumer sentiment held firmly at 81.2 versus an 80.5 forecast.
- An unexpected rise in weekly jobless claims sent some anxiety into markets last week with claims rising from 840k to 898k, compared with a consensus expectation of 825k.
- September headline and core CPI of 1.4% and 1.7% came in low and slow as expected.

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	28606	0.07	2.10	7.58	2.09	8.49	Oil (WTI)	40.03	40.05	39.27	20.51
NASDAQ	11672	0.79	5.66	11.66	31.02	45.05	Gold	1923.30	1886.90	1768.10	1609.00
S&P 500	3484	0.21	3.02	8.80	9.45	18.76					
Russell 1000 Growth		0.54	5.28	13.00	29.19	41.02	Currencies	Current	9/30/20	6/30/20	3/31/20
Russell 1000 Value		(0.14)	1.63	6.14	(7.87)	(0.59)	USD/Euro (\$/€)	1.17	1.17	1.12	1.10
Russell 2000		(0.22)	5.35	11.67	(1.01)	8.67	USD/GBP (\$/£)	1.29	1.30	1.24	1.25
Russell 3000		0.19	3.62	9.75	9.93	19.41	Yen/USD (¥/\$)	105.72	105.72	107.77	107.53
MSCI EAFE		(0.74)	(1.94)	2.22	(5.33)	0.95					
MSCI Emg Mkts		0.61	0.82	8.00	3.01	12.62	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	0.11	0.10	0.16	0.11
US Aggregate	2.29	(0.00)	(0.04)	(0.13)	(0.42)	(0.43)	2 Year	0.14	0.13	0.16	0.23
High Yield	5.43	0.02	(0.03)	(0.21)	(0.01)	(0.14)	5 Year	0.32	0.28	0.29	0.37
Municipal	2.00	(0.00)	(0.01)	(0.03)	(0.15)	(0.16)	10 Year	0.76	0.69	0.66	0.70
							30 Year	1.52	1.46	1.41	1.35

Style Returns

	V	B	G
L	4.19	4.04	3.91
M	5.68	6.15	6.97
S	8.83	8.40	8.02



	V	B	G
L	-7.87	10.69	29.19
M	-7.89	3.66	21.85
S	-14.62	-1.01	12.21



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