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Equity markets deliver biggest upside results since July.

Last week equity markets delivered their biggest upside move since July, shaking off 'on again' 'off again' stimulus talks, uncertain election outcomes, and increasing Covid trends.

US equity markets rallied 3%-6% in a broad-based rally driven by energy, technology, industrials, and materials. Non-US markets added approximately 3%-4%. A weakening USD and strong rally in oil markets pushed the commodity complex higher while UST yields moved to the higher end of their range taking the 30yr back above 1.5% and the 10yr near 0.80%. The upcoming earnings season, consumer financial distress, and slowing labor market momentum pose material challenges in the absence of a fiscal relief package but markets seem intent on a deal getting done sooner or later.

Market Anecdotes

- A Tuesday POTUS tweet ending stimulus negotiations turned into a 'let's go big' party line by Friday with POTUS talking about a package larger than House Democrats. Markets applauded but the likelihood of a deal before the elections remains remote.
- Bespoke's stimulus probability analysis of four potential election outcome scenarios see a \$3.395t Hero's Act package (D-sweep), a \$1.5t package (Trump WH and GOP Senate), a \$2t package (Trump WH and D Congress), and a \$500b package (Biden WH and GOP Senate).
- PPP 1.0 layoff stipulations in place through September 30th airlines are in limbo pending the next stimulus



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package

- Small cap stocks, up 6.4% last week, likely stand the most to benefit and to lose regarding federal stimulus negotiations. They still sit approximately 6% below their 2018 record highs.
- Market breadth and internals are looking encouraging. Cumulative A/D and net new highs broke above recent highs while semis (SOX) hit a new high on Friday.
- The weakening USD last week was apparent, as has been the inverse correlation of the USD and the S&P 500 this year.
- Slowly rising Covid trends as we approach winter are being balanced by big strides in therapies, significantly lower death rates, and fast-moving developments on the vaccine front.
- The 'shutdown' 2Q GDP of -31.7% marked the worst quarter in US history but the 'reopening' 3Q estimate of +28% will be the best quarter in US history (released four days prior to the election). 4Q GDP estimates have fallen from 11% to 3.5% between June and October.

- Arbor Data Science noted Google search trends have corroborated reductions in consumer spending as job seeking, recruitment listings, and job interview queries continue receding, particularly in higher Covid rate states.

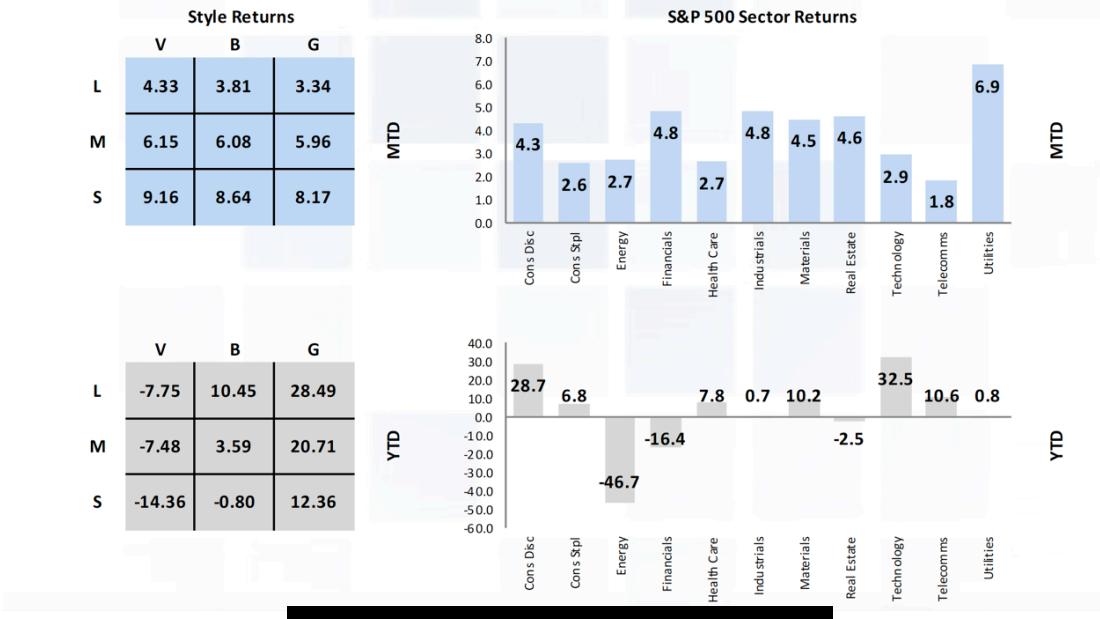
Economic Release Highlights

- ISM Services came in better than expected 57.8 vs 56.
- Services PMI data overseas shows the Eurozone falling back into contractionary territory at 48.0 with Covid resurgence clearly impacting consumer and overall economic activity.
- August JOLTS stood in contrast to the slowing September jobs report. Layoffs and discharges have fallen back toward a normal range. Elevated but slowing hiring rates, higher quit rates, and surging job openings point to decent underlying fundamentals.
- Weekly jobless claims came in at 840,000 - still an alarmingly elevated level but questions surrounding the data remain. Continuing claims were better than expected and hit a new pandemic low.

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	28587	3.31	2.42	11.81	2.02	11.12	Oil (WTI)	39.12	40.05	39.27	20.51	
NASDAQ	11580	4.57	4.00	10.01	29.99	47.92	Gold	1903.10	1886.90	1768.10	1609.00	
S&P 500	3477	3.89	2.45	10.78	9.22	21.39	Currencies	Current	9/30/20	6/30/20	3/31/20	
Russell 1000 Growth	4.23	3.72	11.43	28.49	43.56	USD/Euro (\$/€)	1.18	1.17	1.12	1.10		
Russell 1000 Value	3.81	2.86	11.57	(7.75)	1.89	USD/GBP (\$/£)	1.27	1.30	1.24	1.25		
Russell 2000	6.40	7.42	17.43	(0.80)	12.27	Yen/USD (¥/\$)	105.36	105.36	107.77	107.53		
Russell 3000	4.16	3.54	11.83	9.72	22.04	Treasury Rates	Current	9/30/20	6/30/20	3/31/20		
MSCI EAFE	2.00	1.25	5.07	(4.62)	5.32	3 Month	0.10	0.10	0.16	0.11		
MSCI Emg Mkts	3.06	2.97	5.10	2.39	15.37	2 Year	0.16	0.13	0.16	0.23		
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.34	0.28	0.29	0.37	
US Aggregate	2.29	0.00	(0.04)	(0.13)	(0.41)	(0.41)	10 Year	0.79	0.69	0.66	0.70	
High Yield	5.41	(0.07)	(0.05)	(0.32)	(0.03)	(0.21)	30 Year	1.58	1.46	1.41	1.35	
Municipal	2.00	0.01	(0.00)	(0.04)	(0.14)	(0.14)						



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