

# BW BECKER WEALTH MANAGEMENT, LLC

A WEEKLY NEWSLETTER PUBLICATION OF BECKER WEALTH MANAGEMENT

## End of third quarter produces predictable results.

**L**ast week we saw predictable quarter end window dressing, a full economic calendar, and more fiscal policy loop.

All together the risk asset rally continued from the second half of last week leaving equity markets and UST yields higher while the USD and commodities lost ground. The yield curve steepened with the short end anchored by the Fed and the longer end edging in more of a reflationary direction. Absent clarity on a fiscal package the road forward remains highly unclear but supportive technicals and encouraging internals suggest the end of a corrective phase in September, at least for now.

### Market Anecdotes

- Fiscal policy risk of an ongoing stalemate in Congress have looped up and down over the past two weeks with Pelosi and Mnuchin telegraphing their respective talking points. Investors remain hopeful that markets will not have to riot to force politicians' hands.
- The proverbial 'October Surprise' now includes Covid-19 diagnosis for POTUS, FLOTUS, 3 GOP Senators, and several senior WH advisors. Alongside a massive fiscal stimulus package, a SCOTUS nomination, and overall virus trends the 'October Surprise' has lived up to its billing.
- Contrary to gut instinct, dramatic political headlines including last week's playground scrum (POTUS debate), and a POTUS CoVid-19 diagnosis shouldn't factor much into the market.
- BCA's political analysts say the V-shaped recovery and prospect of a pre-election fiscal bill translate to a much closer POTUS and Senate election outcomes than what polling odds



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currently indicate (Trump @ 40%/Biden @ 60%).

- The past two weeks have seen more Fed speakers than any two-week period since Bespoke began tracking FedSpeak in 2017. Dovish policy and insistence on fiscal stimulus have been the consistent message.
- CMBS markets suggest the coronavirus impact on commercial properties may be as much as -25%. Wells Fargo reported CMBS appraisals are being marked down by 27% on average.
- A Barron's article noted an interesting inflation dynamic. Due to Covid-19, consumption patterns have changed more over the past 6 months than any other time since the 1950's and the impact on inflation calculations over the next 1-2yrs could be considerable.
- In recent months, the Treasury's general account at the Fed has surged to a record high of \$1.66 trillion. The US government is parking an incredible sum at the Fed, not spending it.
- AAI's bull (26%) bear (43%) spread has been in negative territory for a record 32 consecutive weeks.

### Economic Release Highlights

- The September jobs report missed

expectations (661k vs 894k), but the unemployment rate fell from 8.4% to 7.9%, thanks in part to declining labor force participation. The pace of the labor market recovery has slowed sequentially over the past three months.

- Income and outlays PCE showed MoM personal income -2.7% and PCE 1.0% both near expectations. YoY headline and core PCE price index came in at 1.4% and 1.6% respectively.
- Final September U.S. Manufacturing PMI of 53.1 and ISM manufacturing of 55.4 remained firmly in expansionary territory. Anecdotally, the September Chinese Manufacturing and Non-Manufacturing PMIs moved to 51.5 and 55.9 respectively.
- Case Shiller HPI increased a healthy 0.6% MoM and 3.9% YoY, beating expectations unsurprisingly given tight inventory levels.
- Pending home sales blew past consensus estimates (8.8%a vs 3.1%e).
- The Conference Board's September consumer confidence reading of 101.8 crushed consensus of 88.8, marking the biggest confidence increase in 17 years.
- University of Michigan final September consumer sentiment of 80.4 came in higher than consensus of 79.

# INSIGHT

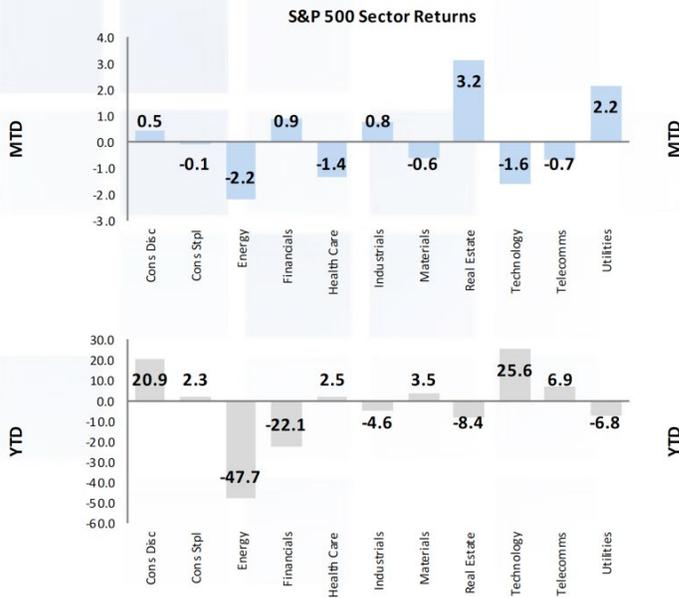
## MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	9/30/20	6/30/20	3/31/20
Dow Jones	27683	1.88	(4.79)	7.73	(1.25)	8.72	Oil (WTI)	40.47	40.47	39.27	20.51
NASDAQ	11075	1.50	(8.08)	8.71	24.31	43.64	Gold	1859.70	R: NO DATA	1768.10	1609.00
S&P 500	3348	1.54	(6.37)	7.41	5.13	18.20	<b>Currencies</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
Russell 1000 Growth		1.41	(7.82)	10.27	23.28	40.19	USD/Euro (\$/€)	1.18	1.17	1.12	1.10
Russell 1000 Value		2.20	(3.79)	5.85	(11.13)	(1.38)	USD/GBP (\$/£)	1.30	1.30	1.24	1.25
Russell 2000		4.42	(3.19)	7.84	(6.76)	5.53	Yen/USD (¥/\$)	105.59	105.59	107.77	107.53
Russell 3000		1.93	(5.79)	8.10	5.33	18.42	<b>Treasury Rates</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
MSCI EAFE		1.57	(2.71)	3.29	(6.71)	3.14	3 Month	0.09	0.10	0.16	0.11
MSCI Emg Mkts		2.22	(3.10)	6.49	(0.89)	12.24	2 Year	0.13	0.13	0.16	0.23
<b>Fixed Income</b>	<b>Δ Yield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	5 Year	0.28	0.28	0.29	0.37
US Aggregate	2.29	(0.04)	(0.03)	(0.14)	(0.42)	(0.42)	10 Year	0.70	0.69	0.66	0.70
High Yield	5.48	(0.09)	0.07	(0.25)	0.04	(0.14)	30 Year	1.48	1.46	1.41	1.35
Municipal	1.99	(0.01)	(0.01)	(0.05)	(0.15)	(0.16)					

**Style Returns**

	V	B	G
L	0.51	-0.21	-0.85
M	1.74	1.28	0.46
S	3.23	2.11	1.10

	V	B	G
L	-11.13	6.18	23.28
M	-11.32	-1.10	14.45
S	-19.01	-6.76	5.02



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