

# Market Pulse

from the Investment Advisory Group

October 26, 2020

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### In Focus

Headlines regarding stimulus negotiations between Treasury Secretary Steven Mnuchin and Speaker Nancy Pelosi whipsawed markets, ultimately resulting in the S&P 500 finishing the week in negative territory. It seems unlikely that there will be an agreement before the election with both Speaker Pelosi and the White House casting blame on the other. There likely will be no shortage of stimulus-related headlines this week which could lead to a bumpy market leading into the election.

We ultimately see a stimulus deal before the election as unlikely, though one could happen afterwards. We think the lack of stimulus is a negative for the economy; however, we also do not believe it will derail the economic recovery. As we stated in a recent *Economic Commentary*, our work suggests the economic recovery is in a self-reinforcing upswing. While the recovery will be uneven between states, regions, industries, etc. rising cases and the lack of fiscal stimulus are unlikely to completely hinder the progress. That said, with or without additional stimulus, the pace of the recovery looks set to moderate after the initial V-shaped rebound.

With all the headlines around the aforementioned stimulus negotiations, COVID-19 cases rising, and the upcoming elections, it is likely we will see some continued volatility in markets. However, we continue focus on the primary trend of the market, which our research suggests is up. While elections matter, the weight of the evidence in our work suggests that the occupant of the White House and the partisan makeup of Congress is unlikely to alter that trend.

### A Look Back

### A Look Ahead

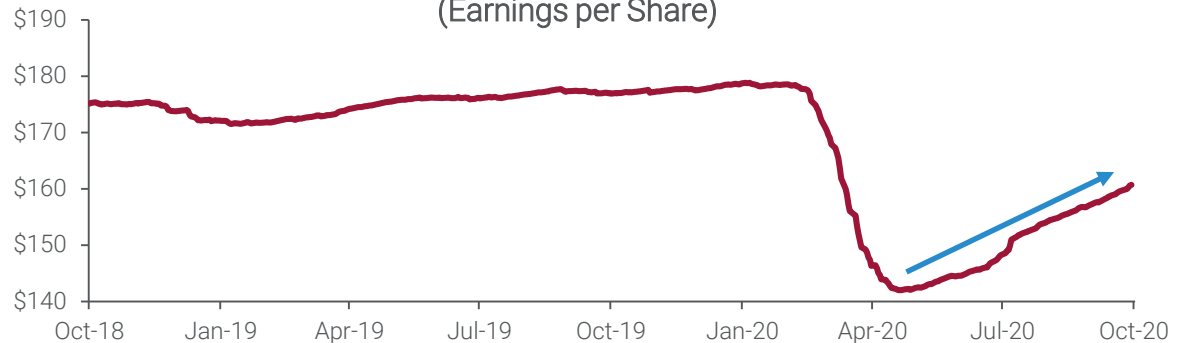
- Global stocks were mixed on the week with emerging markets and international developed markets notching gains while US stocks declined.
- The UK and EU agreed to go back to the negotiating table after trade talks stalled during the prior week. The UK government warned that it was possible talks would not succeed as both sides continue to have outstanding differences.
- On Sunday, Chile went to the polls and voted to re-write its constitution in the wake of protests that swept the nation in late 2019.

- Investors will keep an eye on any headlines regarding stimulus negotiations between Speaker Pelosi and Treasury Secretary Mnuchin.
- The 2020 US election is only eight days away. Investors are likely to watch for any movements in the polls during the closing days of the race.
- Key data releases: New Home Sales, Durable Goods Orders, Initial Estimate of Q3 Gross Domestic Product (GDP) growth, Conference Board Consumer Confidence, and University of Michigan Consumer Sentiment.

### Chart of the Week: S&P 500 Forward Earning Estimates Continue To Rebound

Forward earnings estimates for the S&P 500 continue to rise, rebounding strongly off of their low in May. This has resulted in the forward price-to-earnings ratio for the S&P 500 coming off its September high of 23.4x to 21.7x currently. While earnings estimates continue to be below their pre-pandemic level, we believe the rebound is a bullish sign for the market as a whole.

### S&P 500 Forward Earnings Estimates (Earnings per Share)



Data Source: SunTrust IAG, FactSet

As of Oct 23, 2020

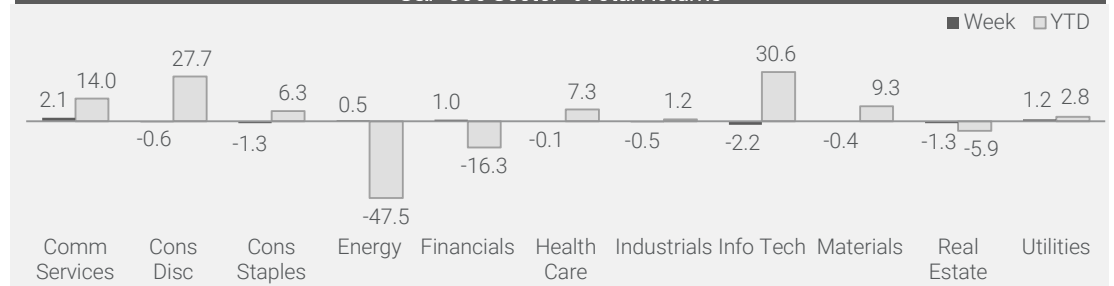
Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.20	3.03	3.03	4.44	11.94
S&P 500	-0.51	3.14	3.14	8.88	17.40
MSCI EAFE (net)	0.11	1.61	1.61	-5.60	-0.22
MSCI Emerging Markets (net)	1.11	5.10	5.10	3.88	12.58
Dow Jones Industrials	-0.90	2.09	2.09	1.17	8.07
NASDAQ Composite	-1.06	3.41	3.41	28.71	41.84
FTSE NAREIT All Equity REITs Index	-0.41	1.68	1.68	-10.79	-12.43
Bloomberg Commodity Index	0.25	3.84	3.84	-8.71	-6.21
Bloomberg Barclays Aggregate	-0.42	-0.41	-0.41	6.36	6.67
ICE BofA US High Yield	0.19	1.56	1.56	1.26	3.50
Bloomberg Barclays Municipal Bond Blend 1-15 Year	-0.05	-0.28	-0.28	3.06	3.78
ICE BofA Global Government xUS (USD Unhedged)	0.25	0.81	0.81	6.13	5.58
ICE BofA Global Government xUS (USD Hedged)	-0.50	0.06	0.06	3.13	2.34
JP Morgan GBI-EM Global Diversified Composite	0.88	1.92	1.92	-4.52	-2.31

Rates (%)	10/23/20	9/30/20	6/30/20	3/31/20	12/31/19
Fed Funds Target	0.25	0.25	0.25	0.25	1.75
Libor, 3-Month	0.21	0.23	0.30	1.45	1.90
T-Bill, 3-Month	0.09	0.10	0.15	0.10	1.54
2-Year Treasury	0.16	0.13	0.14	0.19	1.57
5-Year Treasury	0.36	0.27	0.28	0.37	1.69
10-Year Treasury	0.84	0.68	0.65	0.68	1.91
30-Year Treasury	1.64	1.45	1.40	1.31	2.38
Bloomberg Barclays Aggregate (YTW)	1.24	1.18	1.25	1.59	2.31
Bloomberg Barclays Municipal Bond Blend 1-15 Year	1.04	0.96	1.16	1.75	1.53
ICE BofA US High Yield	5.27	5.76	6.84	9.24	5.41
Currencies	10/23/20	9/30/20	6/30/20	3/31/20	12/31/19
Euro (\$/€)	1.18	1.17	1.12	1.10	1.12
Yen (¥/\$)	104.83	105.53	107.89	107.96	108.68
Pound (\$/£)	1.30	1.29	1.24	1.24	1.32
Commodities	10/23/20	9/30/20	6/30/20	3/31/20	12/31/19
Crude Oil (WTI)	39.85	40.22	39.27	20.48	61.06
Gold	1,905	1,896	1,801	1,597	1,523
Volatility	10/23/20	9/30/20	6/30/20	3/31/20	12/31/19
CBOE VIX	27.55	26.37	30.43	53.54	13.78

### U.S. Style % Total Returns (Russell Indexes)

Week			YTD		
Value	Core	Growth	Value	Core	Growth
0.21	-0.54	-1.21	-7.68	10.10	27.62
1.16	0.47	-0.72	-6.82	4.15	20.98
1.92	0.42	-0.94	-12.98	-0.60	11.15

### S&P 500 Sector % Total Returns



Data Source: SunTrust IAG, FactSet

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Commonly used acronyms: SAAR = seasonally adjusted annual rate; MoM = month-over-month change; QoQ = quarter-over-quarter change; YoY = Year-over-year change; K = thousands; M = millions.

**S&P 500 Index** is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index –a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

**The CBOE Volatility Index® (VIX®)** is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

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.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Barclays Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, US dollar denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Barclays Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the US Dollar.

The ICE BofAML Global Government ex US Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in US dollars.

JP Morgan GBI-EM Global Diversified Composite is a comprehensive emerging market debt index that tracks local currency bonds issued by Emerging Market governments.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The FTSE NAREIT All Equity REITs Index is a free-float adjusted market capitalization-weighted index that includes all tax qualified REITs listed on the NYSE, AMEX and NASDAQ.

HFRX Global Hedge Fund Index is defined to be representative of the overall composition of the hedge fund universe.

HFRX Equity Hedge Index is an index that tracks equity hedge strategies that maintain both short and long positions in equity and equity derivative securities.

HFRX Macro Index is an index that tracks private hedge funds where the process is predicated on movements in underlying economic variables.

HFRX Absolute Return Index is an index that is designed to be representative of the overall composition in the hedge fund universe.

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It is not possible to invest directly in an index.

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CN2020-2270EXP12-2020

