

Market Pulse

from the Investment Advisory Group

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In Focus

Context and perspective will be critical this week as a steady stream of key economic and earnings data will be balanced under the shadow of the US election. For context, relevant data to be released this week would be consequential even if the US election was not occurring. For perspective, the outcome of any election (not just this one) is a crucial factor in crafting an economic outlook but it is not the only factor. Below are just a few of the highlights for the upcoming week.

- Elections will dominate headlines this week whether we learn the outcome or not. An uncertain or contested outcome could prompt markets to follow a choppy path similar to 2000. A decisive outcome in the presidential race would likely shift attention to Senate elections and the resulting scenarios for potential policy paths.
- The Federal Open Market Committee (FOMC) concludes their meeting on Thursday and will likely craft a pointed-but-diplomatic message aimed at Washington policymakers after recent failed stimulus negotiations amid rising COVID-19 infection rates globally and rolling European shutdowns.
- Q3 earnings season continues this week. 77% of S&P 500 earnings have already been reported with 86% of companies beating earnings per share (EPS) estimates and 81% beating revenue estimates. Both are on pace for record levels. 2021 revisions continue to be upgraded for large, mid and small cap US firms.
- Last week's selloff, amid rising EPS estimates, has trimmed price-to-earnings multiples by roughly 10% since September 30.

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A Look Back



A Look Ahead

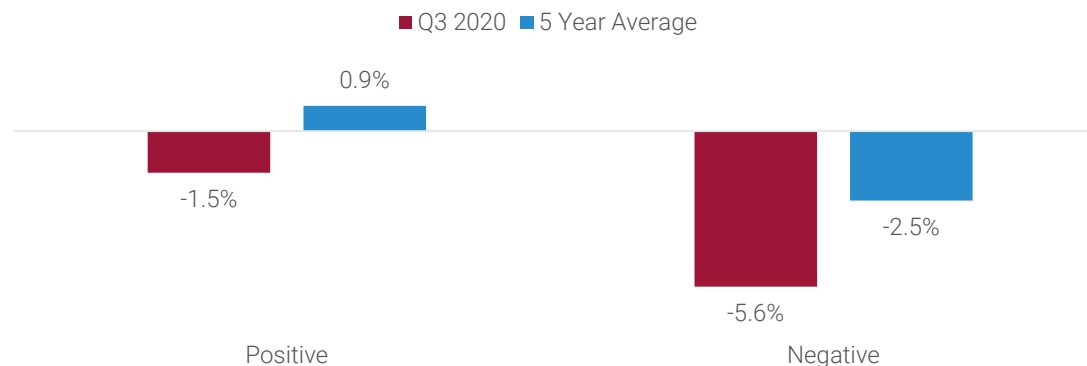
- Pre-election volatility, failed stimulus talks and rising COVID-19 cases were all catalysts behind the S&P 500 pullback. Small caps and emerging markets were bright spots for October.
- The 2/10-year Treasury curve remained largely unchanged on the week while reduced risk appetites widened high yield credit spreads by roughly 40 basis points to one-month high.
- Rising COVID-19 infections and rolling European shutdowns weighed on last week's market sentiment.

- Week four of Q3 earnings season will see 126 companies report, adding to the 77% of the index that has already reported strong results.
- This week's FOMC meeting may be overshadowed by US elections but could deliver a tactful message to Washington policymakers after recent failed stimulus negotiations.
- Key data for this week includes: The FOMC meeting, monthly payroll report, as well as ISM and Markit manufacturing and services purchasing managers indices (PMIs).

Chart of the Week: Strong Earnings Have Validated but Not Rewarded

Historically, share prices reward companies that beat EPS estimates and penalize those that fall short. Companies beating on both earnings and revenues in Q3 are on pace to set a record, but prices retreated last week as results have largely validated recent market gains rather than rewarding companies further. Going forward, 2021 earnings estimates remain robust with ongoing upward revisions that should ultimately reward shareholders in subsequent quarters despite recurring bouts of volatility.

S&P 500 Earnings Surprise vs. Avg Price



Data Source: SunTrust IAG, FactSet. Measured from two days before to two days after earnings release.



As of Oct 30, 2020

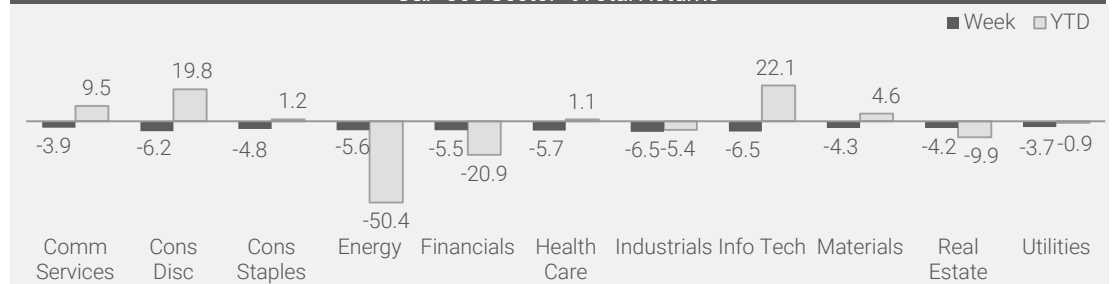
Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-5.30	-2.43	-2.43	-1.09	4.87
S&P 500	-5.62	-2.66	-2.66	2.77	9.67
MSCI EAFE (net)	-5.51	-3.99	-3.99	-10.80	-6.84
MSCI Emerging Markets (net)	-2.89	2.06	2.06	0.87	8.22
Dow Jones Industrials	-6.47	-4.52	-4.52	-5.38	0.34
NASDAQ Composite	-5.51	-2.29	-2.29	21.61	31.45
FTSE NAREIT All Equity REITs Index	-4.96	-3.35	-3.35	-15.21	-15.95
Bloomberg Commodity Index	-2.34	1.41	1.41	-10.85	-8.72
Bloomberg Barclays Aggregate	-0.04	-0.45	-0.45	6.32	6.16
ICE BofA US High Yield	-1.08	0.47	0.47	0.17	2.53
Bloomberg Barclays Municipal Bond Blend 1-15 Year	0.03	-0.25	-0.25	3.09	3.65
ICE BofA Global Government xUS (USD Unhedged)	-0.49	0.32	0.32	5.62	4.52
ICE BofA Global Government xUS (USD Hedged)	0.26	0.31	0.31	3.40	2.42
JP Morgan GBI-EM Global Diversified Composite	-1.47	0.43	0.43	-5.92	-3.80

Rates (%)	10/30/20	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	0.15	0.13	0.14	0.19	1.57
5-Year Treasury	0.38	0.27	0.28	0.37	1.69
10-Year Treasury	0.85	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	1.05	0.96	1.16	1.75	1.53
ICE BofA US High Yield	5.68	5.76	6.84	9.24	5.41
Currencies	10/30/20	9/30/20	6/30/20	3/31/20	12/31/19
Euro (\$/€)	1.16	1.17	1.12	1.10	1.12
Yen (¥/\$)	104.54	105.53	107.89	107.96	108.68
Pound (\$/£)	1.29	1.29	1.24	1.24	1.32
Commodities	10/30/20	9/30/20	6/30/20	3/31/20	12/31/19
Crude Oil (WTI)	35.79	40.22	39.27	20.48	61.06
Gold	1,880	1,896	1,801	1,597	1,523
Volatility	10/30/20	9/30/20	6/30/20	3/31/20	12/31/19
CBOE VIX	38.02	26.37	30.43	53.54	13.78

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

Week			YTD		
Value	Core	Growth	Value	Core	Growth
-5.48	-5.69	-5.89	-12.74	3.83	20.11
-5.59	-5.64	-5.72	-12.03	-1.72	14.06
-6.61	-6.21	-5.83	-18.74	-6.77	4.67

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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