
Special Update: Quarterly Report

Weekly Update – October 5, 2020

The Week on Wall Street

Stocks advanced last week, propelled by hopes that legislators may reach an agreement for a new fiscal stimulus package and optimism generated by a few corporate deal announcements and initial public offerings.

The Dow Jones Industrial Average rose 1.87%, while the Standard & Poor's 500 increased 1.52%. The Nasdaq Composite index gained 1.48% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, advanced 1.56%.^{1,2,3}

The Quarter in Brief

The summer brought an economic rebound and a continuation of the stock market rally that began in spring. In late September, the Federal Reserve Bank of Atlanta's GDPNow tracker estimated real Gross Domestic Product (GDP) growth of 32.0% for the third quarter. All three of the major Wall Street benchmarks advanced in Q3; the S&P 500 added nearly 8%, ending the quarter up about 4% for the year. Even so, U.S. equities slumped in September as traders worried that the stock market might be getting ahead of the economy.^{4,5}

In Washington, the Federal Reserve altered its monetary policy stance and forecast low-interest rates for the near future. Hopes for another economic stimulus dimmed in Congress. On Main Street, the coronavirus pandemic remained top of mind, but improvements in hiring, consumer confidence, and retail sales were evident.

Entering the fourth quarter, analysts wondered how adroitly the financial markets might manage some unknowns: a potential uptick in COVID-19 cases in the fall, the pace of vaccine development, the outcome of the presidential election, and undetermined prospects for additional economic support of businesses and households.

The U.S. Economy

Many positive signals appeared in the quarter. Millions of Americans went to work again; monthly net job growth topped 1.7 million in July and 1.3 million a month later. Unemployment, which had hit 14.7% in April, fell from 10.2% in July to 8.4% in August, and the U-6 rate counting both underemployed and unemployed Americans declined from 16.5% to 14.2%.^{6,7}

Consumer confidence, as measured by the Conference Board's monthly index, leaped to 101.8 in August from 86.3 in July. Households kept up their buying—retail sales were up year-over-year through August even though supplemental unemployment benefits expired at the end of July.⁸

Industries also grew, according to research from the Institute for Supply Management. When ISM's Monthly Purchasing Manager Index for the manufacturing and services sector surpasses 50, those sectors are judged by ISM to be expanding. ISM's services PMI was at 58.1 in July and 56.9 in August; its manufacturing index reached 54.2 in July (a month that saw a 6.4% rise in U.S. factory orders) and 56.0 in August.⁹

Home sales soared as summer began, and although that momentum tailed off, sales did not retreat. Residential resales were up 24.7% in July, and another 2.4% in August. New home buying increased 4.8% for August after a 14.7% July climb. Housing starts and building permits were both up 17.9% in the first month of the quarter, but then they both declined; permits dipped 0.9% and starts 5.1% in the eighth month of the year.¹⁰

For more than a century, the Federal Reserve has had two primary monetary policy objectives: to manage inflation and to guide the economy toward a state of maximum employment. Historically, managing inflation has come first. So, it made news on August 27 when Fed Chairman Jerome Powell announced that the central bank would "seek to achieve inflation that averages 2 percent over time," rather than proactively adjust short-term interest rates when inflation approaches that established target. In other words, it would tolerate a little more inflation than it had in the past as a trade-off for spurring the economy. The Fed kept the federal funds rate in the 0%-0.25% range in the quarter, and its September consensus interest rate forecast showed it expected no change for short-term interest rates through 2022.^{11,12}

The Global Economy

As economies worldwide continued to labor under the coronavirus pandemic, the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD) revised their estimates of global economic activity for 2020 and 2021. The IMF sees a 3.0% contraction for global Gross Domestic Product (GDP) this year, with the global economy growing 5.8% next year. The OECD estimates a 4.5% pullback for global GDP in 2020, and then a 5.0% rebound in 2021.¹³

The quarter ended with no agreement yet on a post-Brexit trade deal between the United Kingdom and the European Union, as the post-Brexit transition period ends December 31. Complicating matters, U.K. lawmakers introduced a bill that would

disregard conditions for trade with Northern Ireland established as part of Brexit, which the E.U. has hotly protested. U.K. Prime Minister Boris Johnson wants both parties to reach a free trade agreement this month; Johnson is aiming for a pact without quotas or tariffs attached, similar to the arrangement the U.K. has with Canada.¹⁴

Looking at foreign stock exchanges, some significant quarterly gains stand out. South Korea's Kospi index rose 11.2% in three months; no other consequential overseas benchmark advanced double digits in Q3I. China's Shanghai Composite added 7.82%, Taiwan's TWII 7.70%, Argentina's Merval 4.69%, Japan's Nikkei 225 4.02%, and Germany's DAX 3.65%. On the other side of the ledger, Hong Kong's Hang Seng retreated 3.96%, and Spain's IBEX 35 dipped 7.12%. MSCI's EAFE index, which tracks large companies across developed countries in Europe and Asia, rose 4.90% in Q3.^{15,16}

Looking Back, Looking Forward

Stocks powered through July and August, entering historic territory in mid-summer. In particular, August saw a powerful rally. The Nasdaq Composite climbed 9.59% in August, and the Dow Jones Industrial Average gained 7.57%, finishing with its best August since 1984. Advancing 7.01% to cap a 5-month winning streak, the S&P 500 had its best August since 1986. September got off to a good start, with a new record close for the S&P: 3,580.84.^{17,18}

Then, reservations about the rally surfaced. Traders began to question the sustainability of the summer economic recovery, and whether a fall uptick in coronavirus infections might hurt business and consumer spending. The S&P ended September at 3,363.00, retreating 3.92% for the month. The Dow lost 2.28% in September to fall to 27,781.70, and the Nasdaq gave up 5.16%, declining to 11,167.51.^{19,20}

The 10-year Treasury yield spent all of Q3 between 0.52% and 0.74%, reaching the top of that range in late August.²¹

Wall Street enters the fourth quarter with a bit of uncertainty. The November election results may produce any number of reactions. There are only educated guesses as to when coronavirus vaccines may appear, and how effective they may be. The first reading on 3rd-quarter Gross Domestic Product growth is on October 27, roughly one week before election day.

Federal Reserve officials expect low-interest rates and very little inflation through 2022. Sustained low-interest rates could drive more borrowing and business investment, and improve the outlook for the housing market.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Purchasing Managers Index (PMI) Composite Final. Institute for Supply Management (ISM) Services Index.

Tuesday: Job Openings and Labor Turnover Survey (JOLTS).

Wednesday: Federal Open Market Committee (FOMC) Meeting Minutes.

Thursday: Jobless Claims.

Source: Econoday, October 2, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

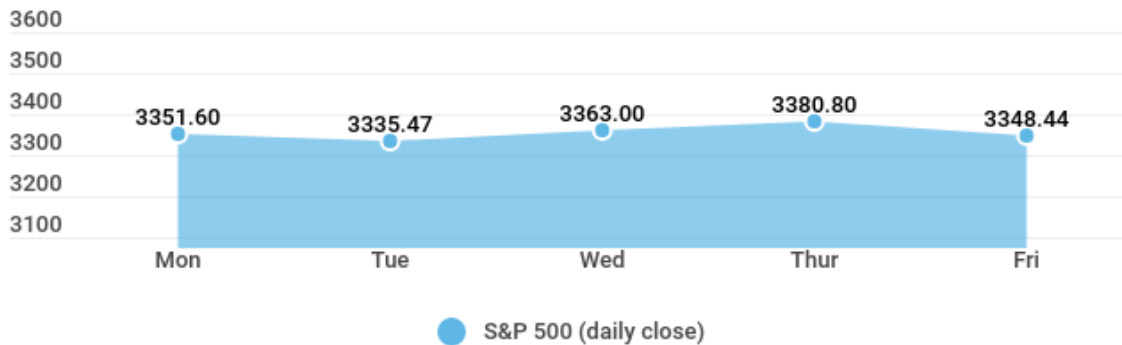
THE WEEK AHEAD: COMPANIES REPORTING EARNINGS


Tuesday: Paychex Inc. (PAYX), Levi Strauss (LEVI).

Source: Zacks, October 2, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

Market Index	Close	Week	Y-T-D
DJIA	27,682.81	+1.87%	-3.00%
NASDAQ	11,075.02	+1.48%	+23.43%
MSCI-EAFE	1,859.54	+1.56%	-8.71%
S&P 500	3,348.44	+1.52%	+3.64%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.70%	+0.04%	-1.22%

Sources: The Wall Street Journal, October 2, 2020; Treasury.gov, October 2, 2020

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, September 25, to Friday, October 2, close.

Weekly performance for the MSCI-EAFE is measured from Friday, September 25, open to the Thursday, October 1, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

QUOTE OF THE WEEK



"It's difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow."

– Robert H. Goddard



Pink Cheesecake Bars



9 Servings

Ingredients:

For the Crust

- 2 cups shortbread crumbs
- 2 tablespoons sugar
- 1 stick of melted butter

For the Cheesecake Filling

- 16 ounces of softened cream cheese
- 1 ¼ cups thinly sliced strawberries
- 1 cup of sugar
- 1 ¼ teaspoons pure vanilla extract
- 1 cup sweetened whipped cream

For Serving (Optional)

- Fresh strawberries
- Fresh blueberries
- Whipped cream

Directions:

1. Line a square baking pan with parchment paper and leave about a 2 inch overhang on the sides.
2. Whisk together the cookie crumbs, sugar, and melted butter until combined.
3. Press the cookie crust into the bottom of the prepared pan and refrigerate until firm (about an hour).
4. For the filling, add the cream cheese, strawberries, sugar, and vanilla into a blender and blend on high until smooth.
5. Pour the mixture into a medium bowl and add a cup of whipped cream. Fold in using a rubber spatula.
6. Pour the cheesecake filling into the chilled crust.
7. Freeze for at least 4 hours.
8. Using the parchment paper to remove the cheesecake, remove and cut into 9 bars (tip: using a hot knife will make this easier).
9. Keep the cheesecake frozen and put it in the refrigerator for about 30 minutes before serving. Serve topped with fresh strawberries, blueberries, and whipped cream.

Recipe adapted from Food Network²²



What to Do If You Need to Amend Your Tax Return

Mistakes happen, which is why the IRS offers taxpayers the choice to make amends to their tax returns. You may want to file an amended return if you used the wrong filing status, entered information incorrectly, have unreported income, or have changes to your deductions. Here's how to get started:

- If you do need to file an amended return, fill out Form 1040-X, Amended US Individual Income Tax Return.
- Mail the form to the address listed under Where to File on Form 1040-X.
- Attach copies of any forms or schedules affected by the change.

After filing, they should expect to pay additional tax owed as soon as possible. You can track the status of your amended return with the "Where's My Amended Return?" resource.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from IRS.gov ²³



Making a Hybrid Club Part of Your Tee-Game Strategy

In the past, hybrid clubs were thought of as “rescue” clubs that were designed to help you out of trouble. Today, though, hybrids have come a long way and can be a valuable asset for teeing up. Because many courses feature mostly par-4s and a few par-5s, teeing off with your driver on every hole doesn’t always make sense. You might also turn to your 3-wood for added accuracy.

Hybrids are perfect for teeing off because they can help improve your accuracy. They can also be easily used on par-3s when you would normally reach for your 3 or 5 wood. Watch out for hazards and shoot high with a hybrid to avoid them.

Tip adapted from Golf Info Guide²⁴



Prevention Tips for Breast Cancer Awareness Month

October is National Breast Cancer Awareness Month and there’s no better time to share some prevention tips. Here are a few tips that may help lower your risk of breast cancer (and help you live an overall healthier lifestyle):

- Perform self-exams every month to check for any changes in the breast tissue. These self-exams may be able to help women spot abnormalities early.
- Maintain a healthy weight. Being overweight or obese may increase your risk of developing breast cancer, as well as other conditions such as diabetes or heart disease.
- Limit alcohol consumption. Evidence may suggest that the more alcohol you drink, the greater your risk of developing breast cancer.
- Don’t smoke. Evidence may suggest a link between smoking and breast cancer

- risk.
- Be physically active, which will help you maintain a healthy weight as well. You may want to aim for at least 150 minutes a week of moderate aerobic activity.

Tip adapted from Mayo Clinic²⁵



The Environmental Benefits of Video Calling

If you haven't used video conferencing calls in the last few months, you may want to consider not only the practical opportunities (social distancing) but also the environmental. We all want to be able to look in on friends and family members, but video calls give us an opportunity to connect while using less gas and energy.

Today, video calling is easier than ever. Most of these platforms offer a free membership level, which makes talking to friends and family affordable and convenient!

Tip adapted from Big Green Purse²⁶

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues.

We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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- ¹ The Wall Street Journal, October 2, 2020
 - ² The Wall Street Journal, October 2, 2020
 - ³ The Wall Street Journal, October 2, 2020
 - ⁴ Federal Reserve Bank of Atlanta, September 25, 2020
 - ⁵ CNN Business, September 30, 2020
 - ⁶ Investing.com, September 30, 2020
 - ⁷ Forbes, September 16, 2020
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 - ¹¹ Forbes, September 16, 2020
 - ¹² New York Times, August 27, 2020
 - ¹³ Nasdaq.com, September 30, 2020
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 - ¹⁸ Business Insider, September 2, 2020
 - ¹⁹ CNBC, September 30, 2020
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 - ²³ IRS.gov, October 28, 2019
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