



Market in a Minute

October 6, 2020

Index Performance: As of October 2, 2020

Index	Price	Last Week	YTD
S&P 500	3,348.44	1.5%	4.0%
Dow Jones	27,682.81	1.9%	-2.6%
NASDAQ	11,075.02	1.5%	23.7%
Russell 2000	7,867.27	4.4%	-6.9%
Russell 2000 Growth	8,131.19	3.3%	4.8%
Russell 2000 Value	10,007.86	5.7%	-19.0%
Russell 1000 Growth	2,157.20	1.4%	21.8%
Russell 1000 Value	1,600.28	2.2%	-10.8%
Shanghai SE Index	3,224.36	0.2%	0.9%
SPDR Gold Shares	178.54	2.1%	24.9%
GS Crude Oil Total Return	37.85	-16.9%	439.2%
Powershares US \$ Index	25.37	-0.7%	-2.3%
Ishares EAFE Index	63.89	1.3%	-8.0%
iShares Barclays 20+ Yr Treasury Bond	162.75	-1.4%	20.1%
Utilities Select Sector ETF	60.69	3.4%	-6.1%
Vanguard REIT ETF	81.93	5.4%	-11.7%
iShares Mortgage Real Estate	26.43	3.8%	-40.6%
Wells Fargo BDC	14.65	3.9%	-28.3%
Alerian MLP ETF	20.07	2.6%	-52.8%

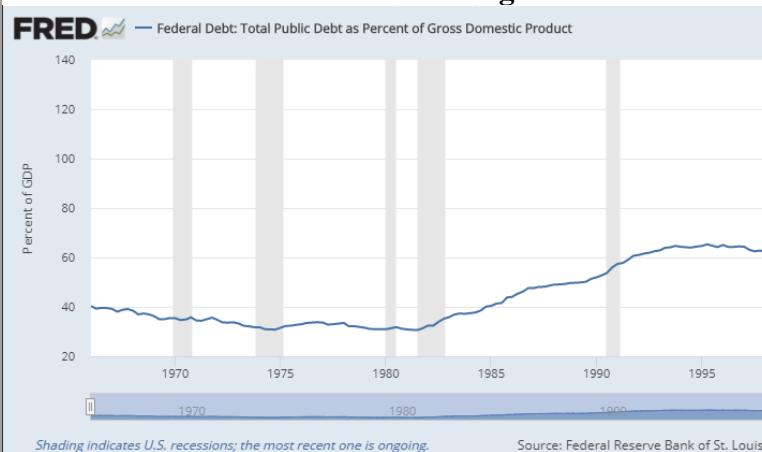
A Word on the Market

By: Patrick Adams, CFA



Since our last update we had a presidential debate and President Trump obviously contracted Covid-19. So, our take is it raises the political risk for the markets, you could see the swift negative reaction in the markets regarding Trump's health. **The pro-Biden crowd believes higher government spending and allowing China to trade with the U.S. would offset their higher proposed taxes.** The problem with bigger deficits is the **U.S. debt to GDP is now 136%** of the economy and growing with all the stimulus needed to fight the negative impact on the economy. **There is limited capacity left to borrow as you can see from the chart below.**

Federal Debt as a Percentage of GDP



The political risk seems like it may hit us on election night rather than being discounted by the market before hand. **We would emphasis the political risk is high as higher tax rates is a one for one hit to valuations, which are high.**

iShares Global Telecom	65.72	1.6%	7.0%
ETFMG Alternative Harvest ETF	10.36	-0.6%	-39.5%
BitCoin Investment Trust	10.86	-3.3%	32.6%

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance: As of October 2, 2020			
Index	Price	Last Week	YTD
Information Technology	2,021.40	0.8%	25.5%
Consumer Disc.	1,213.10	2.5%	23.3%
Consumer Staples	658.43	1.6%	1.9%
Health Care	1,214.11	1.0%	2.6%
Financials	404	3.3%	-20.7%
Industrials	77.61	1.5%	-6.6%
Energy	222.55	-2.9%	-51.0%
Communications Services	194.22	0.9%	7.2%
Utilities	308.41	3.3%	-5.5%
Materials	397.67	1.2%	3.5%
Real Estate	225.85	4.9%	-5.7%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	.25	5-Year	0.28
3-Month	0.9	10-Year	0.70
6-Month	0.11	30-Year	1.48
2-Year	0.13		

Source: Bloomberg.com

Economic Events This Week			
5-Oct	ISM Services PMI	57.8	56.3
6-Oct	Cash Rate	0.25%	0.25%
6-Oct	Annual Budget Release		
6-Oct	Trade Balance	-2.1B	-2.5B
8-Oct	Unemployment Claims	820K	837K
9-Oct	Employment Change		245.8K

We are very positive on the drug development space of the healthcare sector. We would expect news on a vaccine very soon. The sector seems to feed off of positive news about the virus and we are likely going to get a lot of new products approved over the next 12 months. Regeneron's antibody seems like a winner and will likely get approval soon...

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Lastly, **the energy sector has been crushed**, and we get it, **along with the financials these sectors on a technical basis seem to have significant upside.** The financials will begin reporting earnings next week and our guess is the earnings will be better than expected as most banks took very large reserves, which have not been needed yet. **If the new stimulus bill is actually passed soon the financials should perform strongly. Below there is nearly 30% upside just getting back to pre-Corona.**

On the Energy sector, there is clearly a slowing in consumption for now on the use of energy, but as the world begins to grow again energy consumption will re-accelerate. **Oil is not going away, markets at times swing too far in emotional moves. The Energy Select ETF (XLE) is down over 60% below its high and almost 30% below its 200-day moving average. That is a major reset of expectations and the stocks are cheap! You can see from the chart the ETF "maybe starting to recover", it is very early.**

Our technical model turned postive last week. This worked well with the large correction last month.

9-Oct	Unemployment Rate		10.2%
Source: Briefing.com			
Economic Events Last Week			
Date		Event	
Sep-29		U.S. trade deficit in goods hits record \$82.9 billion in August	
Sep-29		Consumer confidence index hits 101.8 in Sept. the highest level since start of pandemic	
Sep-30		Private sector adds 749,000 jobs in September	
Sep-30		U.S. jobless claims fall to 6-month low of 837,000	
Oct-1		Consumer spending climbs for 4 th straight month, but its rate has been slowing	
Oct-2		U.S. unemployment rate falls to 7.9%	
Source: Briefing.com			



Energy Sector ETF (XLE)



Please let us know if you would like to discuss.

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