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"We think that the economy's going to need low interest rates, which support economic activity, for an extended period of time. It will be measured in years. However long it takes, we're going to be there."
-Federal Reserve Chairman Jerome Powell - September 4, 2020

We truly hope everyone reading this has made it thus far through 2020 healthy, closer to those that matter & feeling a little bit of gratitude for the reminder of what's truly important. Nothing like a global pandemic to make time FLY by. Wow…THAT was fast!!!

The 3rd quarter was a good one at large for global markets. The backdrop of unprecedented policy support from governments around the globe outweighed investor concerns of a highly unequal economic recovery in the wake of Covid-19. The following is a brief summary of what occurred across key assets:

- US stocks ended the quarter with strong gains despite a rocky month of September. Led by mega-cap technology companies, the S&P 500 gained high single digits while smaller publicly traded companies lagged behind. Momentum and earnings growth were the dominant factors while the "value" area of the market struggled.
- Fixed income was generally positive as interest rates remained anchored at or near historic lows. It is important to note that more than 80% of all bonds outstanding around the globe yield below 1%. Many are in negative territory. (Yes…a negative interest rate on a bond)
- International equities outside the US gained with momentum and earnings growth factors leading the way. We believe a broadly weak US Dollar helped support global stocks this past quarter.
- Commodity performance was positive with the agricultural complex in the lead. Energy posted losses for the quarter on the back of supply outpacing ongoing weak worldwide demand. In our opinion, even if demand rebounds with the globe re-opening, it could take awhile to work off the large supply of oil out there already in the market.

In last quarters letter, we highlighted the key point that the stock market is not the economy. This is arguably truer than ever now and we continue to emphasize this point. Policy support has been the main driver of assets worldwide and we expect extremely accommodative policies from various governments to continue. The old expression "don't fight the Federal Reserve" is now better stated "don't fight all government's stimulating in unison."

As 2020 enters the final stretch, all types of investors are forced to confront the current reality. We believe the current dynamic can be summarized by these 3 main points:

- Global Interest rates are at historic lows and therefore more risk is required to receive returns.
- Many so called “value” stocks are cheap for a reason as many businesses are facing secular headwinds. This is why traditional “value strategies” continue to underperform. #thingschange
- Historical valuation references are less useful as the current environment is highly unique on many fronts. Markets are now inhabited by various types of participants of which many are relatively new.

Focusing on the short term now; understandably all eyes are on the upcoming US Presidential election. We must take this opportunity to once again stress that emotion is the enemy of prudent investing. This firmly applies to one’s political beliefs. Markets are complex systems and our focus is entirely on measurable data and not attention-grabbing predictions. Having said that, here is what we know going into the vote:

- Across investment markets, positioning is extremely defensive currently. History suggests that crashes rarely if ever happen when consensus is already positioned for it.
- The global economic recovery is likely to broaden out into next year as various countries are increasingly exiting economic lock-down. Pent up economic demand is worldwide in nature.
- Large technology companies have benefited from strong upward price momentum and their outperformance has pushed the S&P 500 higher. Looking below the surface of the index paints a different picture as only roughly 50% of US companies trade above their respective 200-day moving average price. Int’l equities also currently trade at a discount to the US.

We know that’s a lot to take in, but the bottom line is that A LOT of money is being pumped into the system globally and it will continue to have a major impact on the real economy & capital markets. History shows the markets don’t ultimately care what party the US President represents, but data shows they DO like balance between President, Senate, & House.

We’re here to help as there will always be *something* on the horizon that looks like clouds and possible rain. Umbrella? Go inside? Bathing suit? Let us help you evaluate & decide! Our sole aim is to take a rational, data focused approach as we try to advance our client’s on their financial journeys of life. As always, we’re ready to help with any of your financial needs or concerns.

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