

# OCTOBER 2020 RECAP

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The end of October feels a bit like we are finishing one chapter and are about to start a new one. Who will be the next president? What will be the makeup of Congress? Will covid vaccines be effective? What is the timeline for a vaccine? We will soon know the answers to some of the questions that we have been asking all year. As we stated in our [Third Quarter 2020 Market Review and Outlook](#), we are expecting more volatility due to the delay in another fiscal stimulus package, increased spread of the coronavirus, and the upcoming election. October certainly delivered on that volatility as the S&P 500 declined by -2.7% in the month. Most of the losses occurred in the last week as the market dropped by -5.6% from 10/23 to month end. Despite the monthly decline, the market is still up by +2.8% for the year. We continue to highlight that 2020 has been a rollercoaster year as the S&P 500 fell by nearly -34% from February 19th to March 23rd before increasing by almost +48% since then.

Market volatility is inevitable (Please see our [Winthrop Wealth Principles for Investing in the Stock Market](#) for tips on how to navigate challenging markets). Rather than trying to avoid volatility entirely (impossible), we recommend being prepared for it. We prepared for the current volatility by shifting portfolios more defensively by trimming equities as the market increased materially in the late summer. Our defensive positioning allows for greater flexibility to take advantage of opportunities that occur during these periods. We will continue to utilize our time-tested investment process as we monitor new developments.

We expect volatility to continue, at least until we know the outcome of the election. Given that this election will have a higher percentage of mail-in votes than usual, it is possible that we will not know the result for days or even weeks. Please see our [Client Question of the Month on the Presidential Election](#). Our advice is to keep calm and maintain a long-term viewpoint. No matter the outcome of the election, we will be ready with proactive opportunities in the financial planning and investment management areas. Remember that your financial plan and investment portfolio are stress tested for short-term volatility and staying the course is paramount to long-term success.

Please do not hesitate to contact us if you have any questions or concerns. At Winthrop Wealth, we are committed to helping you live life to the fullest and we look forward to speaking with you again soon.

As we have done over the past several months, we will provide an update on the major factors driving the market:

➤ **Covid-19:** Data on the coronavirus took a turn for the worse in October. **New Cases:** According to The Covid Tracking Project, the 7-day average of new cases increased to over 75,000 per day, the highest level during the pandemic. **Testing:** The rise in new cases can partly be attributed to increased testing as new tests increased to over 1.1 million per day by the end of the month. **Treatments and Vaccines:** According to the Milken Institute, there are currently 319 treatments in consideration and 213 potential vaccines in development. There are currently five Phase III trials underway in the US. US National Institute of Allergy and Infection Diseases Director Dr. Anthony Fauci recently stated, “we will know whether a vaccine is safe and effective by the end of November, beginning of December.” Dr. Fauci also added that the first doses would likely be deployable to individuals most in need by the end of the year or beginning of January. While progress on the virus is certainly being made, the increased case count is concerning.

➤ **Monetary Policy:** The Fed was relatively quiet in October, but rest assured the US central bank is committed to using their full range of tools to support the economy for as long as needed. Throughout the year, the Fed has lowered rates to zero, restarted their quantitative easing program, and launched thirteen emergency lending facilities. Please see our [Client Question of the Month on The Federal Reserve](#), which details the importance of the Fed’s policies and impact the FOMC has on the economy, interest rates, and stock prices.

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➤ **Fiscal Stimulus:** Congress was not able to agree to an additional fiscal stimulus package before the election. Democrats and Republicans seemed close on the amount but were not able to work out some of the language. The Fed has been vocal about the need for another large fiscal stimulus bill. Fed Chair Powell recently stated that, “the risks of overdoing it seem, for now, to be smaller. Even if policy actions ultimately prove to be greater than needed, they will not go to waste.” Another stimulus package is very likely, but the timing and ultimate amount will hinge on who wins the Presidency and which party controls Congress.

➤ **Economic Data:** The US economy grew by a record +33.1% seasonally adjusted annual rate in the third quarter (data goes back to 1947). Of course, this follows the second quarter’s record decline of -31.4%. The economy has now recovered about two-thirds of what was lost during the pandemic. Most estimates expect that GDP will reach pre-pandemic levels in early to mid-2021. **Consumer Spending:** According to high frequency data, consumer spending reached 98% of the pre-virus level in late October, up from an April bottom of 82% (Goldman Sachs). Consumer spending data is critical as it drives about 70% of GDP. **Labor Market:** Throughout October, initial jobless claims, the number of people who filed a jobless claim for the first time, continued to trend down but remained high. Jobless claims averaged about 790,000 per week compared to a weekly average of 210,000 in January. **Going Forward:** The magnitude of reopening, consumer activity, and recovery in the labor market will vary based on the prevalence of Covid-19 cases. Of course, as covid cases rise restrictions are tightened, people stay home, and businesses are forced to close. We firmly agree with the Fed’s assessment that, “the path of the economy will depend significantly on the course of the virus.”

## MARKET RETURNS

US Equity												
Index	October	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year	
S&P 500	-2.66%	2.76%	31.48%	-4.39%	21.82%	11.95%	1.37%	10.35%	11.69%	12.99%	6.29%	
Russell 3000	-2.16%	3.13%	31.01%	-5.25%	21.12%	12.72%	0.47%	10.01%	11.47%	12.79%	6.53%	
Dow Jones Industrial Average	-4.52%	-5.38%	25.34%	-3.48%	28.11%	16.43%	0.21%	6.65%	11.10%	11.80%	7.07%	
Nasdaq	-2.26%	22.57%	36.74%	-2.81%	29.73%	8.97%	7.11%	18.84%	17.99%	17.27%	7.14%	
S&P 400	2.17%	-6.63%	26.17%	-11.10%	16.23%	20.73%	-2.18%	2.95%	7.37%	10.34%	8.20%	
Russell 2000	2.09%	-6.78%	25.49%	-11.03%	14.63%	21.28%	-4.41%	2.39%	7.24%	9.70%	7.22%	
Russell 1000 Growth	-3.40%	20.10%	36.39%	-14.51%	30.21%	7.07%	5.67%	18.78%	17.31%	16.27%	6.47%	
Russell 1000 Value	-1.31%	-12.74%	26.52%	-8.28%	13.64%	17.33%	-3.84%	1.82%	5.80%	9.47%	5.99%	
International Equity												
MSCI Index	October	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year	
EAFE	-3.99%	-10.80%	22.01%	-13.79%	25.03%	1.00%	-0.81%	-1.35%	2.85%	3.82%	3.50%	
Europe	-6.21%	-13.97%	23.20%	-16.90%	28.07%	1.34%	-1.42%	-4.24%	1.75%	2.56%	2.63%	
Japan	-1.60%	-2.26%	19.61%	-12.88%	23.99%	2.38%	9.57%	1.54%	5.12%	5.93%	2.36%	
China	5.29%	22.61%	23.46%	-18.88%	54.07%	0.90%	-7.82%	7.94%	12.72%	6.45%	9.79%	
Emerging Markets	2.06%	0.87%	18.42%	-14.57%	37.28%	11.19%	-14.92%	1.64%	7.91%	2.28%	8.34%	
ACWI ex US	-2.15%	-7.47%	21.51%	-14.20%	27.19%	4.50%	-5.66%	-0.34%	4.26%	3.39%	4.22%	
US Fixed Income												
Bloomberg Barclays Index	October	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year	
Aggregate	-0.45%	6.32%	8.72%	0.01%	3.54%	2.65%	0.55%	5.07%	4.08%	3.55%	4.95%	
Treasury Bills	0.00%	0.52%	2.21%	1.83%	0.81%	0.26%	0.03%	1.58%	1.13%	0.59%	1.47%	
Corporates	-0.18%	6.45%	14.54%	-2.51%	6.42%	6.11%	-0.68%	6.19%	5.85%	5.11%	6.09%	
Securitized MBS/ABS/CMBS	-0.07%	3.79%	6.44%	0.99%	2.51%	1.77%	1.47%	3.79%	3.04%	2.97%	4.59%	
High Yield	0.51%	1.13%	14.32%	-2.08%	7.50%	17.13%	-4.47%	4.22%	6.32%	6.24%	7.41%	
Munis	-0.30%	3.02%	7.54%	1.28%	5.45%	0.25%	3.30%	4.10%	3.70%	3.99%	4.78%	
US Equity Sectors												
Index	October	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year	
Technology	-5.10%	22.13%	50.29%	-0.29%	38.83%	13.85%	5.92%	22.76%	23.30%	19.07%	6.54%	
Real Estate	-3.33%	-9.88%	29.00%	-2.23%	10.85%	1.12%	1.24%	5.23%	5.10%	7.50%		
Industrials	-1.43%	-5.36%	29.32%	-13.32%	21.01%	18.85%	-2.56%	3.95%	8.57%	11.09%	6.15%	
Energy	-4.42%	-50.38%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-21.72%	-12.42%	-4.15%	2.12%	
Consumer Discretionary	-2.93%	19.76%	27.94%	0.82%	22.98%	6.03%	10.11%	18.42%	14.32%	17.20%	9.63%	
Communication Services	0.79%	9.46%	32.69%	-12.53%	-1.25%	23.48%	3.40%	12.70%	9.24%	9.36%	2.86%	
Consumer Staples	-2.81%	1.20%	27.61%	-8.39%	13.49%	5.38%	6.60%	8.41%	7.55%	11.12%	8.28%	
Utilities	5.04%	-0.93%	26.35%	4.11%	12.10%	16.29%	-4.84%	8.12%	11.17%	11.19%	6.23%	
Materials	-0.78%	4.65%	24.58%	-14.70%	23.84%	16.69%	-8.38%	4.40%	9.20%	8.63%	8.60%	
Financials	-0.81%	-20.90%	32.09%	-13.04%	22.14%	22.75%	-1.56%	-1.48%	6.31%	9.41%	2.28%	
Health Care	-3.68%	1.15%	20.82%	6.47%	22.08%	-2.69%	6.89%	9.91%	9.39%	14.70%	7.26%	
						Calendar Year Returns						
						Annualized Returns						

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## DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The 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. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe\*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 78 constituents, the index covers approximately 85% of the Indian equity universe.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.