



Market Commentary September 8, 2020

Dear Investors:

Stock markets in the United States retreated a bit last week.

U.S. stocks have been trending higher for months. Last week, they gave back some gains. The Nasdaq Composite dropped 3.3 percent, while the S&P 500 Index fell 2.3 percent, and the Dow lost 1.8 percent, reported Ben Levisohn of *Barron's*.

It was difficult to pinpoint a specific reason for the market's retreat. Levisohn offered a litany of possibilities that included:

- The Labor Day holiday
- Corporate earnings guidance suggesting companies are pulling back on tech spending
- Dr. Anthony Fauci tempering expectations a vaccine will be available by November 1
- Fears a disputed election could disrupt stock markets
- Congress's lack of progress on a new stimulus bill

The downturn could also have something to do with the Congressional Budget Office report on U.S. debt levels. Next year, our country is expected to owe more (government debt) than it produces (gross domestic product or GDP). By 2023, the U.S. debt-to-GDP ratio is estimated to be 107 percent, which would be the highest in our nation's history.

A high debt-to-GDP level, typically, is bad news for economic growth. The World Bank has found countries with debt-to-GDP ratios that exceed 77 percent for extended periods of time, see significant slowdowns in economic growth, reported Will Kenton and Julius Mansa in *Investopedia*. U.S. debt-to-GDP has been above 77 percent since 2009, according to data from the *St. Louis Federal Reserve*.

Michael Mackenzie of *Financial Times* cautioned ultra-loose central bank monetary policy and enormous government spending can have unwelcome side effects. He cited an emerging markets strategist who argued, "...excessive stimulus and easy money policies led either to asset bubbles or a burst of inflation. Both outcomes 'bode ill for share prices in the long run.'"

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On the other hand, Mackenzie says, “Given the current U.S. policy mix that penalizes investors sitting on the sidelines and holding cash – given they are earning next to nothing in interest – any cooling of a red-hot market is easily framed as an opportunity. For many, it is another chance to ‘buy the dip.’”

We’ll see what happens next week.

Data as of 9/4/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.2%	6.2%	16.8%	11.8%	12.3%	12.1%
Dow Jones Global ex-U.S.	-1.6	-5.2	4.7	0.0	4.0	2.4
10-year Treasury Note (Yield Only)	0.6	NA	1.5	2.1	2.2	2.6
Gold (per ounce)	-1.6	26.5	24.6	13.1	11.5	4.4
Bloomberg Commodity Index	-1.0	-10.5	-7.7	-5.4	-4.1	-6.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT WILL A ‘NEW’ NORMAL LOOK LIKE? COVID-19 has reshaped our world. Some of the ways we have adapted will be temporary, others may become permanent. Here are just a few ways our lives and the world around us have changed:

- **Remote work.** Just 12 percent of people participating in a recent survey want to return to work in an office full time. The majority (72 percent) would prefer a combination of office and remote work. The attractions of the hybrid model include reducing commute time, saving money, and improving work-life balance.
- **Air quality.** The 2020 slowdown delivered a temporary respite from air pollution in some parts of the world. *The Economist* reported, “...as [economic productivity] has fallen so has air pollution. This spring marked the first time in decades that residents of Jalandhar in northern India were able to see the snow-capped Himalayan mountains, 160km (100 miles) away.” The World Health Organization estimates that more than four million people died prematurely from diseases related to air pollution in 2016.
- **Movie watching.** Social distancing has kept indoor movie theaters closed. So, instead of people streaming into theaters to watch summer blockbusters, new movie releases have begun streaming into people’s homes, reported Jeffrey Brown and Courtney Norris of *PBS*.
- **Grocery shopping.** Many people don’t shop the way they used to shop. They’ve been taking advantage of innovations, such as touchless checkout, contactless shopping, online ordering, curbside pick-up, and home delivery.
- **Water quality.** Water quality has improved along with air quality. However, higher concentrations of microplastics and other substances are increasing in some waterways because we’re using more disposable products. “It would be nice to keep this quality of air and water when the pandemic is over. It is possible, but we will have to work hard for it,” reported Marco Tedesco in *State of the Planet*, which is published by *Columbia University’s Earth Institute*.

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Weekly Focus – Think About It

“The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”

--Albert Einstein, *Physicist*

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * 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.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * 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.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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