



## Market Commentary October 12, 2020

### Dear Investors:

Yes. No. Maybe?

Markets were sharply focused on the status of stimulus last week. First, it was on. Then, it was off. Then, it might be on. Then, it was off again. There was a big bill. There was a smaller bill. There were stand-alone options.

#### **'Maybe' was enough for investors**

Major U.S. stock indices finished the week higher, per *Barron's*, and global indices were bullish on Friday because of U.S. stimulus talks, reported *Financial Times*.

"Markets are dizzy from all the talk on both sides about what they want from a deal but believe that something will inevitably happen anyway...Markets are essentially drunk on massive government spending just as they are inebriated from all the Fed quantitative easing and zero-interest rate policy," said an advisory group chief investment officer cited by *Financial Times*.

#### **Earnings season is upon us**

Another factor that influences investors is earnings season, which begins this week. During earnings season, companies communicate how profitable they were during the previous quarter.

Third-quarter earnings estimates for companies in the Standard & Poor's 500 Index remain subdued. John Butters of *FactSet* reported, "For Q3 2020, the estimated earnings decline for the S& P 500 is -20.5 percent."

While that is a significant decline, it is an improvement on -25.3 percent, which was the June 2020 estimate for third quarter earnings. It is also an improvement on second quarter's -31.9 percent.

#### **Some companies haven't provided guidance**

It's notable one of four companies in the S&P 500 did not provide earnings per share (EPS) guidance for 2020 or 2021. (Guidance is a forward-looking statement that tells investors what the company expects will happen in the near future.) "Almost all of these companies cited the uncertainty of the future economic impacts of COVID-19 as the reason for not providing or withdrawing EPS guidance for the full year," reported *FactSet*.

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Certainty about earnings may improve when a treatment or vaccine for the virus becomes available. The Milken Institute reported there are 318 treatments for COVID-19 and 213 vaccines in the works. Thirty-five of the vaccines are in clinical trials.

Data as of 10/9/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.8%	7.6%	19.1%	11.0%	11.5%	11.6%
Dow Jones Global ex-U.S.	3.3	-3.4	6.6	-0.1	3.2	1.8
10-year Treasury Note (Yield Only)	0.8	NA	1.6	2.4	2.1	2.4
Gold (per ounce)	1.1	26.3	27.6	14.6	10.8	3.6
Bloomberg Commodity Index	4.9	-9.4	-6.0	-4.5	-4.3	-6.6

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.

**WHERE IS EVERYONE GOING?** You may have read Americans are moving out of cities to escape the coronavirus or violent protests. During the past few months, pundits have said things like, "...the coronavirus pandemic has shifted attitudes about city living, altering the dynamics of the real estate market for years ahead."

Marie Patino of *Bloomberg CityLab* decided to look at the data and see if it was true. She gathered information from moving companies, real estate aggregators, and real estate consultants.

As it turns out, people *are* leaving cities – two cities in particular.

Patino wrote, "According to [moving company] data, between May and August 2020, move requests out of New York City to any destination were up 45 percent, and in San Francisco, up 23 percent, compared to the same time last year."

Where were people moving?

Some were moving to other cities, continuing trends that had been identified before the pandemic arrived. For instance, San Franciscans began to migrate to Seattle before 2020. Other top destinations for San Franciscans this year have included:

- Austin, TX
- Chicago, IL
- New York, NY
- Boston, MA

Likewise, New Yorkers had been moving to Los Angeles and the west coast prior to 2020. This year, they also have favored:

- Atlanta, GA
- Tampa-St. Petersburg-Clearwater, FL
- West Palm Beach-Boca Raton, FL
- Orlando, FL

One real estate aggregator's *2020 Urban-Suburban Market Report* found, "Both urban homes and suburban homes are selling more quickly now than they were in February, and the percent change in time

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on market has been nearly equal for both classifications. The share of homes selling above their list price in suburban areas vs. urban areas exhibit the same trend nationally.”

## Weekly Focus – Think About It

“Information is the oil of the 21st century, and analytics is the combustion engine.”

--Peter Sondergaard, Business executive

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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\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* 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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