Eideard Group
GUARDIANS OF PROSPERITY

Market Commentary

3Q 2020

Market Movement Highlights

"Trump & the First Lady were Covid infected! Biden leading in most polls three weeks ahead of the Election!" Partisanship has turned toxic. Civil unrest, crime and shootings claim lives and property damage across major US cities. Mayors deflect federal assistance. Climate change said to be wreaking havoc as wild fires consume hundreds of California acres, while hurricanes repeatedly slam the gulf coast. Such has been the stunning headline news as we entered this 4th Quarter. So much reported pre-election distress overshadows what we've just learned is exceptionally bright news! The Bureau of Economic Statistics' just released its preliminary 3Q GDP report revealing that the US economy bounced back by an annualized growth rate of +33% in the 3rd Quarter, marking a historic feat, following what, only three months earlier, was a precipitous (31%) economic contraction. Despite that the US economy is not yet "out of the woods", what more can be said than to applaud America for her resilience and adaptability in the face of what remains a formidable virus and a myriad of competing challenges she has been forced to face over the last nine months.

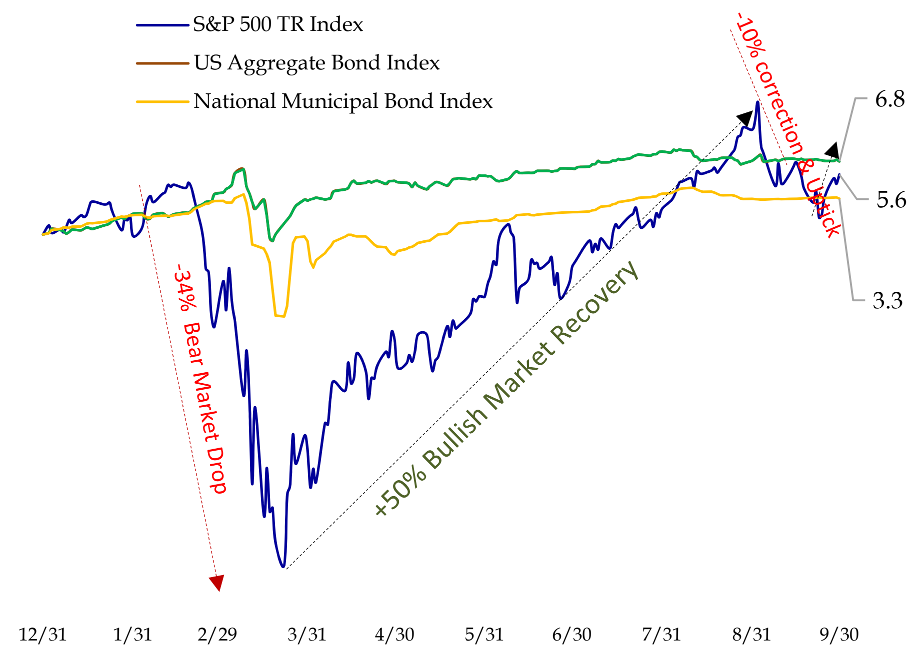
Meanwhile the financial markets continued to shrug off most of the bad news over the period even as the uncertainty of the national elections drew closer. As you will observe from our chart (right), the S&P 500 recovered to a second all-time high in August, before correcting again in September. This was followed by yet another uptick, allowing for a +8.9% return by quarter's end and a +5.6% on the YTD. The backdrop for these advances was strength in housing, re-employment, consumption and manufacturing.

Diving deeper into the US equity markets, size and style trends continued to replicate earlier performance through this 3rd stanza, as large cap stocks led small caps and growth stocks continued to out-perform value by an unusually wide margin, +24.3% vs (11.6%); in fact, a margin that has not been witnessed at any time in the last twenty years.

A major reason lies in the outsized performance and momentum of the US Technology majors: Apple, Amazon, Facebook, Google and Microsoft which all have been principal beneficiaries of the "stay at home" CV-19 environment. Collectively, these mega-cap companies comprise some 25% of the S&P 500 and account for the bulk of its positive YTD return, while other sectors such as energy and financials remain among the weakest of the weak.

On the international equity front, the emerging markets, now beneficiaries of what has been a weaker dollar, have on the YTD consistently outperformed developed market stocks (flat vs -6.7%).

Stocks vs Bonds Return %
Year to Date



Turning to the bond markets, overall they too performed remarkably well. The US Aggregate Bond Index (a taxable index) gained +0.6% in 3Q and a whopping +6.8% on the YTD. In fact, by the quarter's close it had outperformed the S&P 500. Underscoring this move, were near zero

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interest rates in the shorter term and a Fed pledge to maintain these nominal rates for at least another three years.

Meanwhile, US Treasuries represented by Bloomberg's UST Bond Index posted a quarterly +0.2% and almost a +9% return on the YTD, while municipals represented by Bloomberg's National Municipal Bond Index posted (+1.2%) and +3.3% over the same periods as investor cash flows shifted back and forth, from and to safe havens. Direct purchase programs re-initiated by the Fed also helped to support and stabilize our bond markets.

Looking Forward

The defeat of CV-19, the next stimulus package "or not", and the coming election, all remain contributors to our overall near term uncertainty perhaps even fear.

While we can't imagine all the possible outcomes, our educated "guess" as to what the post-Presidential election's impact might foretell is as follows:

If Biden Wins:

- An increase in fiscal spending programs should benefit infrastructure buildout and renewable energy,
- Income and gains tax increases on corporations and high wage earners will likely mute economic growth, should benefit
- municipal bond holders and perhaps value stocks, while likely also muting overall stock market performance.
- Consistency of Policy; domestic and international may ease political tensions and market volatility here and abroad.

If Trump Wins:

- Interest rates likely to remain low, favorable tax and regulatory policy should continue to benefit equity markets.
- Further fiscal stimulus should boost consumer spending and the stock market.
- US economic growth will likely continue to outpace world performance.

Irrespective of who wins the Oval office, as long as the outcome is not prolonged and doesn't find its way into the courts, we suspect the markets will be welcoming and should remain relatively stable through the ensuing early post-election months.

In the meantime and as always, we at Eideard will endeavor to provide you with informed judgement and our best advice to ensure the preservation of your wealth and the achievement of your financial goals.

Please stay CV-19 cautious and safe!

Eideard Group

November 1st, 2020

Major Market Indexes 3Q and YTD Total Returns

Market Indexes	**3Q**	**YTD**
NASDAQ Composite	11.2%	25.3%
Dow Jones Industrial Average	8.2%	-0.9%
S&P 500 (US large cap)	8.9%	5.6%
Russell 2000 (US small cap)	4.9%	-8.7%
MSCI EAFE (Developed Intl.)	4.9%	-6.7%
MSCI Emerging Markets	9.7%	-0.9%
Bloomberg National Municipal Bond	1.2%	3.3%
Bloomberg US Treasury Bond	0.2%	8.9%
Bloomberg US Aggregate Bond	0.6%	6.8%
Bloomberg US Corporate Bond	1.5%	6.6%
Bloomberg US Corporate High Yield	4.6%	0.6%
Alerian MLP Index	-16.3%	-46.2%
WTI Crude Oil	2.0%	-34.5%
Gold	6.7%	24.6%

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