



Economic Summary

Strong back-to-back quarters have propelled the S&P 500 into positive territory year-to-date (CHART 1), while the Dow Jones Industrial Average is essentially flat, and the small-cap Russell 2000 Index is down about 9%. Large-cap technology representation in the S&P 500 continues to be the main source of outperformance as the tech sector is up an astonishing 29% year-to-date.

The multi-trillion dollar monetary and fiscal stimulus spending implemented last spring blunted the full force of the Covid-19 related shutdowns. Further, the Federal Reserve continues its easy money policies with near zero short-term interest rates and quantitative easing (QE) that has been expanded to address almost all aspects of the economy. Additional fiscal stimulus is currently in limbo, as Republicans and Democrats continue to negotiate with the election less than a month away.

The U.S. economy appears to be rebounding sharply as unemployment is decreasing, personal savings are increasing, and industrial activity has been expanding (CHARTS 2-4). Although a second wave of Covid-19 may be looming, the U.S. is much better prepared to manage it now than earlier in the year. With a possible vaccine on the horizon, as well as an already improving economy with many people constrained to their homes for the

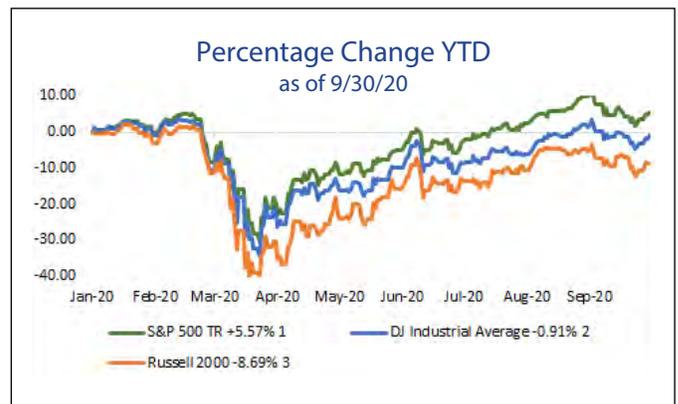


Chart 1

SOURCE: MORNINGSTAR DIRECT

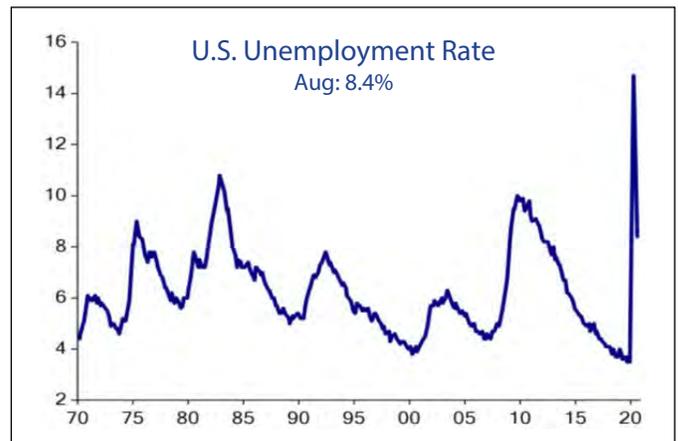


Chart 2

SOURCE: EVERCORE ISI

"INTERNATIONAL ECONOMIC REVIEW" - SEP 23, 2020

Past performance does not guarantee future results. You cannot invest directly in an index.

¹ The S&P 500® Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general

² The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

³ The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index.



past eight months, there could be a significant increase in pent-up economic activity in coming months.

Politics continue to grab the headlines as the election approaches. Rarely have two parties been so diametrically opposed in nearly every aspect. According to most polls, it appears Biden is the frontrunner, but President Trump thrives as the underdog and will likely use it to rally his base. The importance of this election is paramount, as each candidate pledges vastly different ideals for the future of the country. President Trump will continue to promote free market capitalist principles of lower tax rates and reduced regulations, along with the appointment of conservatively-oriented judges. On the other hand, former VP Joe Biden seems likely to attempt to transform the U.S. into some form of European-style socialism. The trajectory for the future of America will be decided in the coming weeks.



Chart 3

SOURCE: EVERCORE ISI

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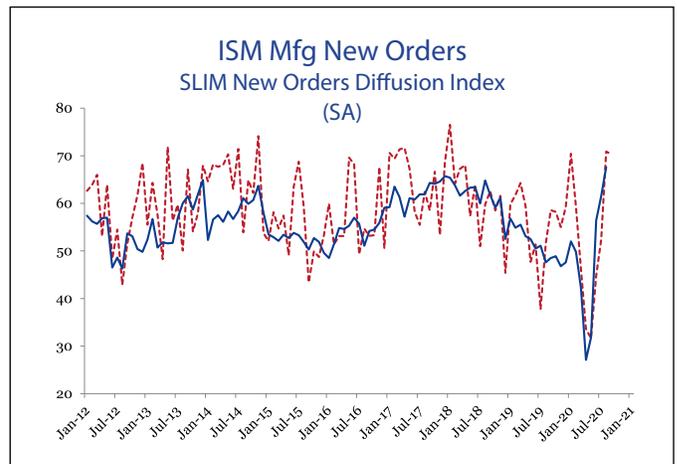


Chart 4

SOURCE: STRATEGAS RESEARCH PARTNERS

“QUARTERLY REVIEW IN CHARTS” – OCT 2, 2020

Past performance does not guarantee future results.



The Stock Market

In what now seems like a quarterly tradition, growth once again outperformed value (CHART 5), and large-cap stocks bested small-caps. Large-cap technology stocks continue to drive the performance of the technology-heavy S&P 500. The difference between the Russell 1000 Growth and Russell 1000 Value now stands at nearly 36% year-to-date. Value investors have been foiled this year as energy and financial stocks continue to fall further out of favor and ever-popular, large-cap growth stocks garner investors' attention. Eventually the tide will turn, as it always does, but the timing is unknown.

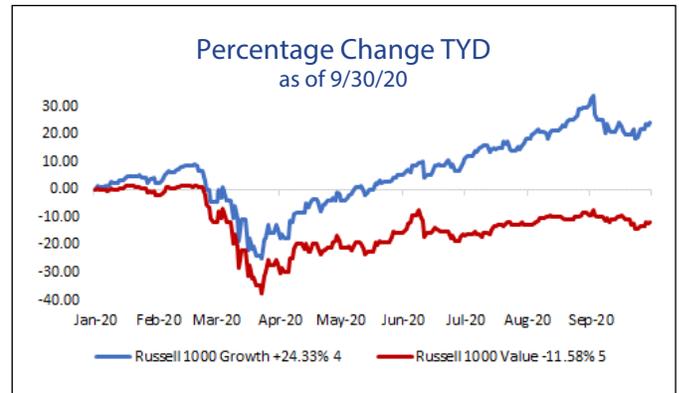


Chart 5

SOURCE: MORNINGSTAR DIRECT

The Bond Market

The 10-year U.S. Treasury yield remained flat during the quarter at 0.7%. The Fed's commitment to low short-term rates and quantitative easing (QE) have the market pricing in low rates for years to come. Corporate credit spreads tightened modestly during the quarter, as earnings and future outlooks surprised on the upside.

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⁴The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

⁵The Russell 1000® Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values.

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