THE FINAL STRETCH FOR 2020

This historic and unprecedented year of 2020 is three-quarters complete.

There are many obstacles ahead on the road to 2021. Among them is the election. Another is the virus. These have now been combined as the President tested positive. This is indeed an October surprise. This situation creates tremendous uncertainty for the nation at a time where there was already little certainty. It injects chain of command uncertainty and puts America at risk of being taken advantage of by foreign rivals. 1 Million people around the globe have been killed by Covid. Over 200K of them are Americans. There's a growing risk of increased spread as Fall transitions to Winter. The economic recovery has been bumpy in America, with fits and starts plagued by geographic inconsistencies.

The onset of the pandemic at the beginning of the year led to an unprecedented 2-month lockdown recession in March and April. That short, yet sharp downturn has been followed by a bumpy recovery for the US Economy from May through August. Big business certainly recovered faster than small. Wall Street is fairing better than Main Street. Stocks were white-hot over the Summer, with price action and valuations not seen since Y2K. It didn't last.

September brought a necessary correction for the Stock Market, which saw a V-shaped recovery from the March lows to new, all-time highs over the Summer. The rally was relentless. The September sell-off corrected a lot of the excesses built up, particularly in Tech. This was the worst September for stocks in 9 years. It was still the best 6 month run on the Dow and S&P since 2009. That's where things stand heading into October.

The Bullish thesis for the rest of the year is pinned to the massive monetary stimulus, improving corporate earnings, a vaccine on the near horizon and a broader economic reopening of America. However, there are also concerns about the election uncertainty, the ability for Congress to actually reach a deal on additional Fiscal Aid, the Fed running out of tools, high-frequency data that signals the economic recovery is stalling, a second wave of Covid cases and stretched valuations with crowded positioning in Big Tech.

The Fed has played a significant role in the 2020 rally. Acting quickly and aggressively to put a floor under stocks, and its zero-rate policy sent asset prices soaring. While the Fed updated forward guidance at its September meeting to reinforce the message behind its policy framework shift, it did not adjust the size or composition of its asset purchase program. In addition, there is growing skepticism about the Fed's ability to foster a sustained uptick in inflation, particularly with a depleted policy arsenal and in the face of continued structural headwinds. This triggered the September slide.

Seasonality still plays a role. September lived up to its reputation as a volatile month for stocks and the worst performing month on the calendar. Conversely, it was a strong month for the Dollar. A 5-month slide came to an end for the Greenback. There is a definite relationship between the Dollar and the Market. It's been inverse of late. We anticipate the Dollar will stay on the weaker side for the months ahead, which if the correlation remains should ultimately provide support for stocks.

2020 ELECTION

There is a Presidential election ahead. The future of our nation certainly hangs in the balance as the American people head to the ballots. The first debate did nothing to cool the heat on the campaign. Quite the opposite; The flames got fanned. Opinions are strong. The President contracting Covid takes election risks to new heights. The Market seems to be taking it all in stride. It is something to monitor very closely. There is no precedent here.

Our Washington sources believe that a Biden administration would be better for the US Economy than 4 more years of Trump. That probably comes as a surprise since the Economy is the one topic the President consistently polls well on. The thinking is, a Biden victory would likely have the House and Senate swinging with him. That would theoretically make it easier to get things done. Increased regulation and higher taxes would likely result. But probably not in year 1.

An infrastructure bill could provide immediate stimulus to the Economy while creating new jobs. That has bipartisan support. In a complete role reversal, Democrats now like free trade more than Republicans. A President Biden might remove some of the Chinese tariffs and would likely pursue a different trade agenda than President Trump. Global alliances would be re-engaged while keeping pressure on China's tactics. Washington continues to tighten the screws on trade with China, with a focus on Intellectual Property protection. Getting rid of some tariffs would be a modest boost for the Economy and the Market. A second term for Trump would almost certainly be more aggressive on trade. It's all theoretical at this point.

One risk, and it's a biggie, is the standard, peaceful transition of power for the Presidency. It's actually in question. The integrity and legitimacy of the election result is being debated. It's really never been an issue before. It sure is in 2020. That would not be Market friendly.

MILLENNIAL MIGRATION

The narrative of renters leaving New York City and San Francisco in droves is real. Millennials are turning into homebuyers. There's more and more evidence that all those Millennials who've been renting apartments in the city are responding to the pandemic by buying houses in the suburbs. These are generally first-time buyers. Cheap money and the desire to leave the cities during Covid has definitely fueled this move. It will have lasting impacts in communities around the country.

Asset prices have swelled in 2020, something that seemed so unlikely back in March. Housing is seeing record activity. The Digital Age and Covid have made it clear that many jobs allow people to live pretty much anywhere. The Stock Market has

MILLENNIAL MIGRATION CONT.

definitely cooled its ascent since the August peak. Since school has already started, it will be fascinating to see if that trend chases housing when the September data gets released later this month. Americans always feel wealthier when the value of their house is going up.

FUTURE OF HEALTH CARE

Health Care stocks got hit with the passing of Ruth Bader Ginsburg, creating uncertainty in the Supreme Court, which is set to hear the case on the Affordable Care Act in November. It takes place a week after the election. We continue to seek investment opportunities in the future of Medicine. We see it in Biotechnology. We see it in gene sequencing. We see it in monoclonal antibodies. We see it in cancer therapies. We see it in medical devices. We see it in telemedicine and digital delivery. We see it in wearable devices. A full-blown recovery from Covid is essential. We have to innovate our way out. We are invested there.

EDUCATION & TECHNOLOGY

We are invested in the future of education. Digital platforms and remote learning will have some permanence. Never before has geography been broken down so students from anywhere can access the greatest minds in academia. The model is changing. It needs to. Universities and K-12 need investment in the digital infrastructure. An important deficiency: Not everyone has access to a device or a network. More investment is required to level the field.

We anticipate a continuation of the correction in October, ahead of the election. We are looking for lower levels to increase our investment exposure in the many compelling digital growth themes. We are investing in software companies that facilitate working from home. We are investing in companies that provide digital content and entertainment. We are investing in companies that provide consumer goods and digital devices, delivering them safely and securely to the home.

BROAD MENU OF INVESTMENT THEMES

We are also invested in companies that provide food and beverages under growing demand. We are investing in fresh food. We are investing in homeland security. We are investing in FinTech. We are investing in Aerospace. We are investing in online dating. We are investing in 5G. We're investing in AI. We see many opportunities ahead in this Digital Age. It's all very investable.

BONDS TO BLUE CHIPS

Low interest rates have driven Bond prices skyward. The Risk/Reward balance is no longer attractive for new money. Central bankers have sent traditional Bond buyers into riskier assets. The Stock Market has been the landing spot. Not everything is expensive though. We find tremendous value in many seemingly boring, Blue Chip dividend stocks. Our traditional balanced portfolios will continue to be weighted heavily with companies that provide growth in capital and predictable cash flow.

ALL THAT GLITTERS

We continue to see value in Gold and other precious metals. Increased geopolitical tensions, zero to negative interest rates, central bank stoking of inflation and a weak Dollar has provided a lift for precious metals and we see that continuing. Gold plays an important role in a diversified portfolio and we see precious metals shining for the better part of the decade ahead.

The uptrend in the Stock Market, from the March lows, is still very much intact. It's actually the case when you stretch it back longer-term too. This short-term correction has more downside risk to first-line support around 3150+/- on the S&P, in our work. It came close in September, before rallying into month's end. We think it gets tested again, with possible failure. The next band of support, which should act as a concrete floor, is around 2800. That translates to roughly 26K and 23,500 on the Dow. The election uncertainty will likely weigh heavily on investor psyche. Volatile price action is expected.

The road to November will continue to be bumpy. In fact, it just got bumpier. The corrective price action will provide the opportunity to add to these compelling investment themes which had gotten ahead of themselves.