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Third-Quarter 2020 Market Review ~ Vote Early, Vote...

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- Vote Early, Vote... Often. JUST VOTE!
- Stocks post best two-quarter performance since 2009.
- FED changes policy to keep rates lower, longer.

As the saying goes, Vote Early, Vote... Often. But today, JUST VOTE! The hallmark of a democracy is the ability of its citizens to choose its leaders so that 'We the People' can decide how to pursue life, liberty, and happiness. The Declaration of Independence, The Revolutionary War, having the ability to vote was what it was all about. Exercise your right to tell someone: You're hired or you're fired!



Stocks were on fire in the third quarter, continuing the second-quarter rebound from March lows. The Dow Jones Industrial average and Standard & Poor's 500-stock index gained 7.6% and 8.5% for the quarter, respectively, resulting in the best two-quarter performance since 2009. Benefitting from the stay-at-home economy, the tech-heavy NASDAQ Composite index advanced 10.7%. While the NASDAQ returned to positive territory for 2020 during the first week of May, the S&P and Dow Jones followed suit in July and August, respectively.

Market barometers moved ahead in July and August, rising to all-time record levels, but sold off in September as concerns about the coronavirus outweighed hopes for new government fiscal stimulus. At quarter end, the tally for the first nine months was down 2.7% for the Dow Jones, up 5.6% for the S&P (total return), and a leap of 24.5% for the NASDAQ. International stocks also continued their ascent during the quarter, ranging from a 4.9% gain for large caps and a 10.3% jump for small caps, but remained below water for the year, lower by 3.9% to 6.7%.

Turning to bond markets and interest rates, the Federal Reserve left rates unchanged during the quarter. In August, the central bank announced a policy change that would allow inflation to exceed its 2.0% target so that inflation would average 2.0% rather than serve as an upper limit, thereby allowing the economy to grow longer. Meanwhile, the central bank also forecast that they expect to maintain low interest rates through 2023. This was positive news for bonds, as all broad sectors climbed during the third quarter and are above water for 2020.

Treasuries were little changed at quarter end, as the yields on the 10-year U.S. Treasury note and 30-year Treasury bond closed at 0.68% and 1.45%, respectively, up 3 and 4 basis points, respectively, for the quarter.

Below are rates of return for selected market indices for the third quarter and first nine months of 2020, and the three, five, and 10-year compound annual returns as of December 31, 2019.

<u>Equity (Stock) Indices</u>	<u>3Q:2020</u>	<u>YTD-2020</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Domestic					
Russell 1000 - Large Cap	9.47%	6.40%	15.05%	11.48%	13.54%
Russell Midcap	7.46%	-2.35%	12.06%	9.33%	13.19%
Russell 2000 - Small Cap	4.93%	-8.69%	8.59%	8.23%	11.83%
Real Estate (FTSE NAREIT Equity REITs)	1.44%	-17.54%	8.14%	7.21%	11.94%
Commodity (Dow Jones Commodity Index)	8.25%	-14.92%	1.54%	-2.40%	-2.88%
International					
MSCI EAFE Developed Large Cap	4.88%	-6.73%	10.11%	6.18%	6.00%
MSCI EAFE Developed Small Cap	10.34%	-3.90%	11.35%	9.25%	9.12%
MSCI Emerging Markets	9.70%	-0.91%	11.99%	6.01%	4.04%
Global - MSCI All Country IMI	8.23%	0.87%	12.68%	8.92%	9.47%
<u>Fixed-Income (Bond) Indices</u>					
Bloomberg Barclays					
Global Aggregate - Unhedged	2.66%	5.72%	4.27%	2.31%	2.73%
Global Aggregate - Hedged	0.72%	4.65%	4.30%	3.57%	NA
U.S. Aggregate	0.61%	6.79%	4.03%	3.05%	3.75%
U.S. Treasury TIPS	3.03%	9.22%	3.32%	2.62%	4.09%
U.S. Corporate High Yield	4.59%	0.62%	6.37%	6.13%	7.18%
Municipal	1.22%	3.33%	4.72%	3.53%	4.65%
International Emerging Markets	2.37%	1.93%	6.07%	5.84%	7.20%

Source: ftserussell.com, reit.com, us.spindices.com, msci.com, bloomberg.com