

OBSERVATIONS

- Covid-19: The C.D.C. notified public health officials across the country to prepare for vaccine distribution to health care workers and high-risk groups as soon as late October/early November.¹
- Rise of the retail investor: Individual investors accounted for nearly 20% of U.S. stock trading – almost double the level 10 years ago and higher than any year since then.²
- August bankruptcy activity slowed compared to prior months – 20 companies filed in August as compared to 30 per month in May, June, and July. The 20 filings are an all-time high for the month of August, surpassing the 14 companies that filed during August 2009.³
- The C.D.C., under Executive Order by President Trump, will use its authority to halt evictions through CY 2020. The Order is intended to slow the spread of COVID-19 and may impact up to 40 million people.
 - Renters must meet certain qualifications and those who benefit must still pay accrued obligations under the terms of leases or contracts.⁴
- As of 2-Sept, Zoom Video Communications carried a market capitalization of \$122bn – by this measure Zoom is larger than the likes of IBM, Citigroup, Lockheed Martin, Starbucks, Wells Fargo and MMM.¹
- Jobs report⁵: Unemployment rate fell to 8.4% (down from 10.2%) and better than expectations of 9.8%.
 - Of the 1.4 million jobs created, government represented the largest contribution with 344k jobs - the majority of which (238k) came from temporary census worker hiring.
 - Unemployment rate by group: Adult men (8.0%), Adult women (8.4%), Teenagers (16.1%), Whites (7.3%), Blacks (13.0%), Hispanics (10.5%), Asians (10.7%).
- 2-day market losses driven by weakness in the technology sector: The S&P 500 and tech heavy NASDAQ had their worst 2 day stretch since 11-Jun, declining -4.28% and -6.16%, respectively.¹

EXPECTATIONS

- The Federal Reserve has purchased nearly \$1tn of mortgage bonds since the crisis began. At the current pace, the Fed will own an estimated \$1.4tn of mortgage bonds by year end – this equals the previous high water mark which came during the Fed’s quantitative easing (aka “QE 3”) during 2012 and 2014.¹
- In contrast to the rise in mortgage delinquencies, credit card holders that are late by 60 days or more has **declined** to 1.37%, down from 1.61% this time last year⁶. Access to credit card liquidity is of higher priority for many Americans.
- An estimated 250,000 poll workers are needed to manage in-person voting for the upcoming election. During the 2018 mid-term election nearly 60% of poll workers were over the age of 60¹—the likelihood of a dearth of poll workers on election day portends in-person voting delays and many states unable to certify election results in a timely fashion.

ONE MORE THOUGHT *“You Can’t Predict. You Can Prepare” – Howard Marks, November 20, 2001 memo to clients*
 A few weeks ago ([10-Aug Research Corner](#)), we noted that average equity returns in August and September have historically been lower than the other months of the calendar year. The S&P 500 gained 7.2% in August (best August since 1986) and just completed its longest monthly winning streak (5 months) since September 2018.¹ Over half of

¹ Bloomberg LP

² WSJ, Tabb Research

³ Bloomberg LP, as of 1-Sept. Includes companies with liabilities greater than \$50 million

⁴ <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-working-stop-evictions-protect-americans-homes-covid-19-pandemic/>

⁵ U.S. Bureau of Labor Statistics - <https://www.bls.gov/news.release/empsit.nr0.htm>

⁶ 24-Aug Research Corner, Bloomberg LP, Transunion data through July

the August gains were lost during the 2-day selloff last week. “You can’t predict. You can prepare.” Mark’s quote is a good reminder that short-term market timing and market prediction is an unwinnable game and prudent preparation is the best way to get the odds on your side. Preparation is multi-faceted and not limited to investments. Over the course of the summer Clearstead published a number of [blogs](#) that focused on the virtues of preparation – from taxes to estate planning to the hierarchy and discipline of an investment strategy. Importantly, these are not mutually exclusive notions, **they are all tied together**. Economic uncertainty remains, however, markets – awash in liquidity - have rallied significantly as portions of the economy (and certain demographics) experience a “V” shaped recovery. As markets start to pivot towards the next significant (known) event of the elections we are beginning to see signs of anxiety in volatility markets (see chart of the week). The VIX futures market – a measure of future expected equity market volatility – has started to trend higher in advance of the November 3rd elections. The VIX Index, also regarded to as a measure of fear, is showing investor angst developing around election time. This market may indeed prove to be wrong, but as we sit here today it is worth the observation that markets may get turbulent. With or without a perspective on markets we believe it is important to revisit the previously mentioned tenants of preparation. To that end, Clearstead will be publishing a Clearpoint article (October) more focused on planning considerations given the uncertain environment.

CHART OF THE WEEK



Source: Clearstead, Bloomberg, as of 4-Sept.

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