

This month's Market Minute reflects the views of Clearstead's Research Team and was composed by [Joseph Boushelle, Senior Managing Director, Research.](#)



#### OVERVIEW

Despite a rally at the end of the month, capital markets pulled back in September as a new wave of COVID infections threaten another round of global lockdowns, and political discord in the United States has created uncertainty for an additional round of fiscal stimulus and the prospect of a drawn out election. Overall, the U.S. economy continues its recovery with ADP jobs reporting a bigger than expected surge in new jobs, up 749,000, and pending home sales soaring 8.8% in August<sup>1</sup>, the highest pace on record. However, sectors such as travel, hospitality, and brick& mortar retailers continue to experience challenges as a result of the COVID lockdowns.

#### DOMESTIC EQUITY

*As of September 30, 2020*

U.S. EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
DJIA	-2.2%	8.2%	-0.9%	5.7%
S&P 500	-3.8%	8.9%	5.6%	15.1%
Russell 2000	-3.3%	4.9%	-8.7%	0.4%
Russell 1000 Growth	-4.7%	13.2%	24.3%	37.5%
Russell 1000 Value	-2.5%	5.6%	-11.6%	-5.0%

U.S. equities reversed course during September as the markets were led lower by a selloff in several large technology companies. Despite the pullback, the major indices still remain positive for the year. Given the pullback in the larger tech stocks, small cap stocks (Russell 2000, -3.3%) reversed recent trends and outperformed large cap (S&P 500, -3.8%) for the month. However, large cap stocks have still significantly outperformed small cap stocks year-to-date. Investors rotated into values stocks, leading the Russell 1000 value index (-2.5%) to outperform the Russell 1000 Growth index (-4.7%) for the first time in 12 months.

## INTERNATIONAL EQUITY

As of September 30, 2020

### INTERNATIONAL EQUITY MARKETS

Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
MSCI ACWI ex USA	-2.5%	6.3%	-5.4%	3.0%
MSCI EAFE	-2.6%	4.8%	-7.1%	0.5%
MSCI Emerging Markets	-1.6%	9.6%	-1.2%	10.5%
MSCI EAFE Small Cap	-0.7%	10.3%	-4.2%	6.8%

International equity markets generally followed the downward trend of the U.S. markets during September. Overall, developed (MSCI EAFE) and emerging markets (MSCI EM) were down 2.6% and 1.6%, respectively, compared to the S&P 500, which was down 3.8%. U.S. market weakness and the rising number of COVID cases in Europe contributed to the risk-off environment during the month. China (MSCI China) was down 2.7%, faring worse than other emerging markets, as U.S. pressures/sanctions on the Chinese semi-conductor industry and other tech firms (such as Tik-Tok) weighed on the markets. Small caps held up slightly better (ACWI ex. U.S. Small Cap, -1.3%) than large caps in developed international markets, while growth stocks (MSCI ACWI ex US Growth, -0.9%) outperformed value stocks (MSCI ACWI ex US Value, -4.1%) for the month. During the month, the U.S. dollar was broadly stronger against most developed market and emerging market currencies.

## FIXED INCOME

As of September 30, 2020

### FIXED INCOME MARKETS

Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
BarCap US Aggregate	-0.1%	0.6%	6.8%	7.0%
BarCap Global Aggregate	-0.4%	2.7%	5.7%	6.2%
BarCap US High Yield	-1.0%	4.6%	0.6%	3.3%
JPM Emerging Market Bond	-1.7%	2.3%	0.4%	2.5%
BarCap Muni	0.0%	1.2%	3.3%	4.1%

Performance in the fixed income markets generally followed the risk-off environment during September. Interest rates on the short end of the curve (3-month to 5-year) remained flat or modestly higher (0.01%) while longer rates (10-year to 30-year) moved slightly lower (0.02%). High-Yield Corporate and Emerging Market Debt were weak performers during the month. Given the risk-off environment, spreads widened across the board with High Yield, Investment Grade, and Emerging Market Debt spreads all widening. With a lack of clarity regarding additional fiscal stimulus, which is very important to state and municipal governments, the muni/Treasury AAA ratio rose to 123% from 115%.

## CLOSING

Given the strong rally in risk assets over the summer, we have been writing for months about a potential pullback in markets and for more bouts of volatility. Those predictions came to fruition in September, as rising COVID cases and political discord has led to fears of slower growth in the underlying economy. Despite a continued rebound in the underlying economic indicators and revaluation of risk assets, we view the increasing number of COVID cases, lack of fiscal stimulus, and the election as potential headwinds for risk assets. We continue to expect opportunities to unfold in the coming months given this backdrop.

### Sources:

1 - National Association of Realtors

### Disclosures

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