

OBSERVATIONS

- COVID-19: For the first time since spring, Europe overtakes the U.S. in daily (rolling 7-day average) confirmed COVID-19 cases.¹ New restrictions are being enforced across Europe – from bans to curfews.
- NFIB Small Business Optimism Index rose to 104.0, a historically positive reading, just shy of pre pandemic levels of 104.5.²
- The Bank of England (BOE) continues along its journey towards negative rates. Last week, the BOE queried the banks it supervises about their readiness to accommodate negative interest rates.³
- As of 14-Oct, the combined value of China's stock markets reached a record \$10.08 trillion – second behind the U.S. – and eclipses its record level seen in 2015.⁴
- In spite of U.S.-China tensions, China sold \$6 billion of bonds which were offered directly to U.S. investors for the first time. Last week's deal drew significant demand with China's 10-year bond yielding 1.20% - nearly .50% higher than the equivalent U.S. Treasury.⁵
- Being large and publicly traded has not necessarily been a good place to hide: As of 13-Oct, nearly 12.5% of companies (43 of 345) with a market capitalization above \$25 billion have reported losses for the trailing 12 months. During the Great Financial Crisis, beginning in 2009, 5.5% of companies (4 of 73) greater than \$25 billion in market capitalization had reported losses for the trailing 12 months.⁵
- The Net-Zero Asset Owner Alliance (comprised of some of the world's largest pensions and asset owners) set plans to lower their respective investment portfolio's carbon emissions by nearly 1/3rd over the next 5 years. The group controls some \$5 trillion.⁶
- During United Airlines earnings conference call, CEO notes the company does not expect business travel to return to normal until 2024.⁴
- Consumer resilience: Advance estimates for September retail sales showed gains of +1.9% MoM (5th consecutive monthly increase) and +5.4% from this time last year.⁷

EXPECTATIONS

- October is off to a positive start. On a MTD basis, thru 16-Oct: Large Cap stocks (Russell 1000 Index) are up +4.04%, Small Cap stocks (Russell 2000 Index) up +8.40%, International stocks (MSCI EAFE Index) +1.50%, and High Yield (Bloomberg Barclays High Yield Index) +1.41%.⁴
- Big banks kicked off earnings last week with mixed results, bank stocks (as measured by the KBW Bank Index) declined -1.82% during the week. This week will see 96 S&P 500 companies (nearly 20% of the index) report earnings, forward guidance will be closely watched.⁴
- The final Presidential debate is scheduled for 22-Oct. Nancy Pelosi sets 20-Oct as a deadline for stimulus progress needed for pre-election bill passage.

ONE MORE THOUGHT

One of the notable features of this recession has been in sharp trend reversals that resulted from individuals adjusting to the immediate realities of the pandemic. One example of this has been in the used vehicle market. Last week's Consumer Price Inflation (CPI) report highlighted the atypical nature of the used car market during this recession compared to prior recessions. While the headline CPI reading may have been a yawner, one particular

¹ https://www.wsj.com/articles/europe-overtakes-u-s-in-new-cases-of-covid-as-restrictions-tighten-11602669748?mod=hp_lead_pos6

² <https://www.nfib.com/surveys/small-business-economic-trends/>

³ *Financial Times*

⁴ *Bloomberg LP*

⁵ *Financial Times, Bloomberg LP*

⁶ <https://www.unepfi.org/net-zero-alliance/>

⁷ https://www.census.gov/retail/marts/www/marts_current.pdf

subcomponent ([see 20-July Research Corner for more details on the CPI index](#)) stood out. Used vehicle prices rose +6.7% MoM in September (the largest 1-month increase since 1969) and are **+10.3% higher** than one year ago. In contrast, new vehicle prices rose +0.3% MoM and +1.0% from a year ago (*note: in 2019, used vehicle sales outpaced new vehicle sales 2.35 to 1*).⁸ Volumes in used car sales were unchanged MoM, and down nearly 5% from a year ago.⁹ Used cars represent a lesser expensive alternative and the pandemic undoubtedly spurred short term demand for 'point to point' vehicles as people leave cities, look to avoid public transit, taxi cabs and ride sharing services. With those needs in mind, and with a significant portion of the new vehicle market is out of reach (particularly younger and lower income buyers) many buyers have been forced into the used car market – driving prices higher. This is just another example ([see 8-June Research Corner for more examples](#)) of how the Covid-19 crisis continues to re-shape the U.S. economy.

CHART OF THE WEEK

Demographics, Household Wealth & Voter Turnout

Generation	Birth Year	Wealth (trillions) ¹	Pct. Of Wealth ¹	Pct. Of U.S. Population ²	Voter Turnout 2016 ³	Share of Total 2016 Votes ³	Voter Turnout 2018 ⁴	Share of Total 2018 Votes ⁴
Pre-Boomer	Before 1945	\$18.78	16.8%	7.6%	70.0%	14.0%	64.0%	13.0%
Baby Boomers	1946-1964	\$59.56	53.2%	21.8%	69.0%	35.0%	64.0%	36.0%
Generation X	1965-1980	\$28.52	25.5%	19.9%	63.0%	26.0%	55.0%	26.0%
Millennials	1981-1996	\$5.19	4.6%	22.0%	41.0%	23.0%	42.0%	21.0%
Generation Z	1997-2012	-	-	20.3%	39% ⁵	2.0%	30.0%	4.0%
Post Gen-Z	2013 and After	-	-	8.4%	0.0%	0.0%	0.0%	0.0%

Source(s): Clearstead, ¹Federal Reserve; *Distributional Financial Accounts, as of Q2 2020*, ²The Brookings Institution, ^{3,4}Pew Research Center, ⁵World Economic Forum

Generation Z eligible voters will increase from 7 million, during the 2016 elections, to nearly 23 million for the 2020 elections.¹⁰ Assuming similar turn out as seen during the 2018 mid-term elections, Generation X, the Millennials, and Generation Z would represent an increasingly significant share of total votes – and more than the Baby Boomers and pre-Baby Boomers combined.



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⁸ Bureau of Labor Statistics, <https://www.bls.gov/news.release/pdf/cpi.pdf>

⁹ <https://www.coxautoinc.com/market-insights/auto-market-weekly-summary-10-12-2020/>

¹⁰ <https://www.weforum.org/agenda/2020/09/gen-z-eligible-voters-reflect-the-growing-racial-and-ethnic-diversity-of-u-s-electorate/>