

OBSERVATIONS

- COVID-19: European stocks lead global stocks lower as Germany, France, and the U.K. announce new nationwide restrictions amidst a surge in new cases. From 12-Oct to 30-Oct, the Stoxx Europe 600 Index (a broad measure of European stocks) has declined -9.5%.¹
- On the heels of a 2nd COVID wave in Europe, signs of economic weakness in European PMI (Purchasing Manager Index) data emerges – manufacturing index rises to 54.4, while services index falls to 46.2 bringing the aggregate index to 49.4 (readings below 50 are associated with economic contraction).¹
- \$35 billion semiconductor industry deal – Advanced Micro Devices to acquire Xilinx in all stock deal.¹
- Amy Coney Barrett’s nomination last week marks the 6th Republican appointment (and 3rd President Trump) to the Supreme Court. That contrasts with 3 justices that have come from Democrat appointment.²
- Ant Group (Chinese financial services technology company) is set to become the largest IPO on record – expected to raise nearly \$35 billion (total value of \$310 billion). The public offering will take place in Shanghai and Hong Kong – where nearly 45% of the world’s 2020 public listings have taken place.³
- Another pandemic consequence with other implications: the number of participants in timed races (e.g. 5k, marathons, etc.) declined 95% between March and October – as compared to the same period a year ago.⁴
- Preliminary readings of Q3 GDP showed that personal consumption and inventory restocking fueled Q3 GDP, which grew +7.4% QoQ. Economic activity remains -2.7% below pre-crisis levels.¹
- Apartment rental rates have now declined over -5.0% for 30 U.S. metro areas, contrasted with a +.5% increase for suburban areas. New York City and San Francisco see the most significant declines in rental rates – declining nearly 15% since the beginning of the year.⁵

EXPECTATIONS

- Last week, volatility reached levels last seen in June. As we noted in our [7-Sept Research Corner](#), volatility had been broadly anticipated to increase in the days/week leading up to the elections. A triple whammy of earnings, spikes in cases, and the elections now has volatility futures inverted – another way of saying, options markets are reacting to extreme near-term uncertainty. These conditions may persist this week.
- With 64% of S&P 500 companies having reported earnings, 86% have beat earnings expectations and 81% have beaten revenue expectations. 126 companies are scheduled to report this week.⁶

ONE MORE THOUGHT

Election day is tomorrow, and we expect the election to be close. It is widely expected that former VP Joe Biden will win the overall popular vote, but the electoral college count will be closely contested and selection of the next president will depend on the results of a few key states (see below) – similar to 2016. Given that several of these states are receiving a record number of absentee ballots and that these ballots will not be opened and counted until election day (such as in Pennsylvania and Wisconsin), we expect it will take a few days after the election before it becomes certain who won these states. Legal challenges by either party may extend the election uncertainty even longer. The latest polls show a slight advantage for former VP Joe Biden in most of these swing states, but given the

¹ Bloomberg LP

² NYT, 27-Oct

³ Bloomberg LP, CNBC, WSJ

⁴ https://www.wsj.com/articles/coronavirus-toll-on-marathons-and-other-races-a-95-drop-1160380000?mod=hp_major_pos3

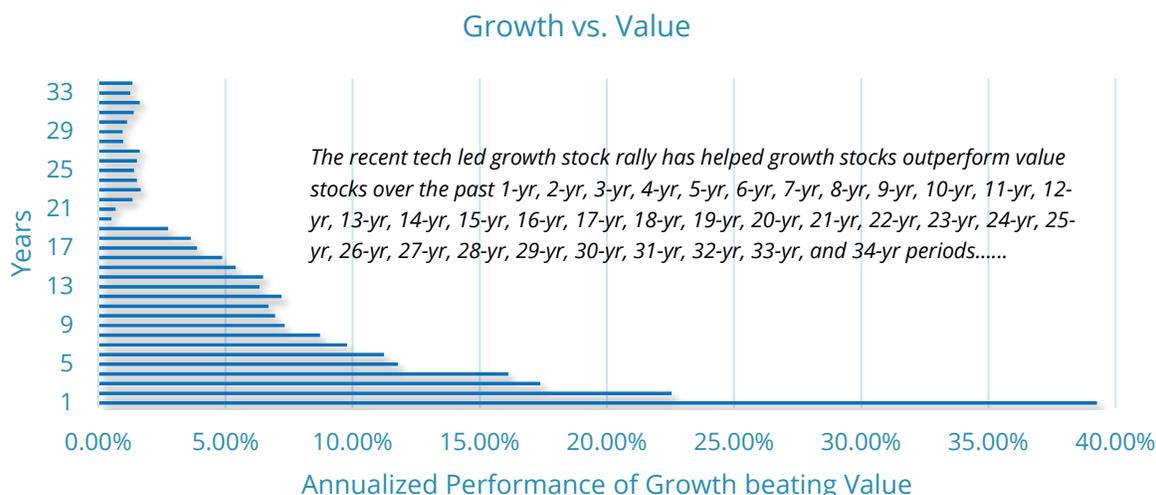
⁵ Bloomberg LP, Apartment List, aggregate rent estimates population-weighted

⁶ Factset Earnings Insight as of 30-Oct

margin of error in these types of polls as well as the unpredictability of actual voter turnout the result in each of these states is too close to call.

State	Electoral College Votes	Average Last 4 Polls ⁷
Florida	29	Biden +3.75
Pennsylvania	20	Biden +6
Ohio	18	Even
Michigan	16	Biden +10
North Carolina	15	Biden +1
Arizona	11	Biden +1.75
Wisconsin	10	Biden +9.5

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, Growth = Russell 1000 Growth Index, Value = Russell 1000 Value Index, as of 31-October. Past performance is not indicative of future results.

The Russell 1000 Growth index has outperformed the Russell 1000 Value Index by a cumulative 63.65% since the beginning of 2018. The result of this incredible outperformance has led to growth having outperformed value in every annual period, as of 31-Oct-2020, dating back to the creation of the indices themselves (the official inception of the Russell 1000 Growth and Value Indices is 1-Jan-1987).

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⁷ FiveThirtyEight, as of 30-Oct