

October 2020

Here are selected year to date return numbers through the end of September.

Stock Indexes

	(As of 09/30/20)*
Dow Jones Industrials	-2.70%
S&P 500 Index	+4.10%
NASDAQ Composite	+24.50%

	(As of 09/30/20)*
Russell 1000 Growth Index	+24.33%
Russell 1000 Value Index	-11.58%

	(As of 09/30/20)*
Russell 2000 Index	- 8.69%
Russell 2000 Growth Index	+3.88%
Russell 2000 Value Index	-21.54%

Bond Index

	(As of 09/30/20)*
Barclays Cap. Aggregate Bond Composite Index	+6.79%

(Source: The Wall Street Journal & Russell Investments websites)

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

FINANCIAL AND INVESTMENT PLANNING

The third calendar quarter ended on a sour note in September. The NASDAQ Composite which has had a terrific year with its technology and biotechnology components leading the way, fell into correction territory – defined as at least a 10% drop from the recent high. That’s the speediest such fall. Source: *The Wall Street Journal*

In spite of a weak September U.S. stocks posted a strong third quarter, and ended the year to date period in the black. The same cannot be said for foreign equities.

	September 2020	3 rd Quarter 2020	Year to Date 2020
S&P 500 (price)	-3.92%	+8.47%	+4.09%
MSCI ex-U.S. (price)	-3.08%	+4.32%	-8.95%

Source: Raymond James

And the Dow Industrials are down 2.7% for the year. Source: *The Wall Street Journal*

I will get into the September stock market weeds for a bit. I know there are a few monthly letter readers who like such antics. Claire is not one of them.

U.S. stocks recorded their worst September in nearly a decade. Source: *The Wall Street Journal* However, for value stock investors, the news was not quite so bad.

Value stocks – often defined as companies whose shares trade at a low multiple of their book value or net worth – outpaced growth stocks for the month.

The change pushed the Russell 1000 Growth Index down 4.8% for September, ending its 11 month winning streak over its value counterpart. The Russell 1000 Value Index, which measures the performance of large cap value companies, fell just 2.6% for the month. Source: *The Wall Street Journal*

However, even with its September outperformance, the Russell 1000 Value Index is still down 13% in 2020, compared with the 23% gain that the Russell 1000 Growth Index has posted. Source: *The Wall Street Journal*

Another interesting aspect of the U.S. stock market is its leadership. Technology companies are set to end the year with their greatest share of the stock market value or capitalization yet, topping a dot-com era peak. Companies that do everything from manufacturing phones to operating social media platforms now account for nearly 40% of the S&P 500. That is on pace to eclipse a record of 37% from 1999, according to a Dow Jones Market Data analysis of annual market value data going back 30 years.

I will get out of the weeds now.

Unless you have been self-quarantining from the news, I suspect you are aware we have an upcoming election. I am writing this on a Sunday afternoon, and Claire and I have just voted. I believe, based on the absence of any line, that voters may not know of the Sunday hours. In Travis County, Texas they are noon to 6:00 p.m. You might check where you live to see if this low traffic time is available.

I am receiving calls from clients and on my radio broadcast about what might happen in the financial markets, depending on who wins the presidential and congressional races.

I will start with a little history. Since 1938 the S&P 500 has had an average return, when a Republican is president, of 8.6%. When a Democrat is in the White House, the

average S&P 500 return has been 8.5%. During Republican administrations there have been 13 down years for the equity index. Guess what, during Democratic administrations there have been 13 down years. Source: Raymond James

In other words, don't base your long term portfolio strategy on whom you believe will win the presidential election.

Now to the near term future. According to The Wall Street Journal and Barron's, people on Wall Street are anticipating a blue wave election. These business journals report that attitudes have shifted regarding this anticipated event. They report that Wall Street is expecting a multi-trillion dollar CARES ACT, which would boost the economy and businesses. We will see.

I wonder if we will know who has won the presidential election, when I write my next monthly letter.

Thanks for reading this month's edition.

Warm regards,



Carl W. Stuart
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- **Past performance is not indicative of future results.**
- The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
- The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.
- The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
- The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities
- The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.
- The Barclays Capital U.S. Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
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