October | 2020

Putting a Volatile Quarter Behind Us – What's In Your Portfolio?

Greetings from Goldenstone!

The US stock market had the best August since 1984, followed by the worst September in the last decade. In spite of declines last month, the tech sector is up +25% year to date. Rotation saw Value outperforming Growth last month. The economic recovery appears to be slowing down relative to the last quarter. The good news is that the US economy has added 11 million jobs since May. However, there are still 12.6 million people unemployed. Elections are right around the corner and the future feels very uncertain to the average investor. The dichotomy between winners and losers in the pandemic will be seen across sectors and companies. Structural changes are resulting in new industry leaders, with many traditional business models under siege.

What does this mean for the markets? Do you know what's in your portfolio? Are you overexposed to companies that might be the laggards in this recovery? Sectors such as financials, energy, and utilities have underperformed the market. Technology, Discretionary, and Communications have led the way. At Goldenstone Wealth Management, we can help you navigate through treacherous markets by staying extremely selective about investment opportunities. We remain optimistic regarding the US economy and recognize the global macro risk and headline volatility.

- The US economy will see a sharp rebound in late 2020 and early 2021 as vaccines/therapeutics allow people to go back to their lives, with unemployment trending down.
- Election year volatility is around the corner, so put your seat belt on. Expect the worst. A typical year sees at least three 5% pullbacks, and one 10% correction.
- Between the Federal Reserve and Congress, the economy has received a boost totaling $10 trillion. The Federal Reserve has already declared that rates will remain at zero regardless of past unemployment rate and inflation targets.

- Technology is digitally revolutionizing our economy and lives – so there will be winners and losers. While the impact is very positive, there is collateral damage as people move to suburbs, office space remains empty, and brick and mortar stores become zombie businesses.

- In spite of the biggest price the U.S. is paying in the form of Covid-19, we remain more bullish on our own economy/markets, relative to Europe, Japan, or Emerging Markets.

- We expect specific sectors to continue performing, with strong rotation as we emerge from the shortest, yet deepest, recession on record.

History tells us that election years tend to be good for the market and the stock market does especially well if the incumbent party wins (regardless of political affiliation). The damage to corporate earnings from COVID-19 require careful selection in sectors and companies that have solid balance sheets, robust and resilient earnings, and good corporate governance and management. Overall, we expect to put the worst pandemic of our lifetime behind us, shrug off its damaging impact, and move on to a new day in both the economy and the market.

All investment strategies must re-calibrate, re-adjust and rebalance to take advantage of the new opportunities emerging. Don't make mistakes most people make.

Read HERE for 5 Common Mistakes Investors Make.

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"Do not save what is left after spending; instead spend what is left after saving." - Warren Buffett

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