

PERSPECTIVES & OUTLOOK

October 2020



Don't Overestimate Election Impact

Investors are concerned a change in political leadership could have big consequences for the stock market, but history suggests that is unlikely. Equities have performed well regardless of who is President, and any election volatility is likely to be short-lived.



Gold Remains an Attractive Diversifier

Investors need not be bearish on equities to have a positive outlook on gold, which serves as an appropriate diversifier and a hedge against eventual inflation. With prices down 10% from their early August highs, we still consider gold attractive.



The Power of the Printing Press

The Federal Reserve's commitment to flood the financial system with liquidity has been a game-changer for investor sentiment and equity valuations. If signs of market weakness re-emerge, the Fed will surely do even more to support asset prices.



US, China Influence Continue to Grow

The outperformance of US equities means American stocks now comprise nearly 60% of the cap-weighted MSCI All Country World Index, the highest % in 20 years. China, meanwhile, has grown to represent more than 40% of the MSCI Emerging Markets Index.



Resist the Urge to Reach for Yield

Despite interest rates being near all-time lows, reaching for yield rarely pays off. Be it lower quality bonds, longer durations, or distressed equities with big dividends, more yield comes with risk. In our experience, focusing on total return remains the best bet.



Growth in Demand, Value is Not

In an economic environment where growth is hard to find, investors are willing to overpay for it. Be wary of companies or sectors trading at rock-bottom valuations. Some industries will be forever changed by the COVID-19 pandemic.



More Govt Stimulus On Hold for Now

While still certain to happen eventually, another massive stimulus package from Congress is no longer imminent. Giant legislative deals rarely get done this close to an election, but financial markets have displayed a surprising amount of patience so far.



Big Tech Has Never Been Bigger

The S&P 500 has never been more top-heavy. Apple, Microsoft, Amazon, Facebook, and Alphabet make up nearly 23% of the benchmark index. Exceptional performance from stocks with the largest market caps is masking weakness in the broader market.