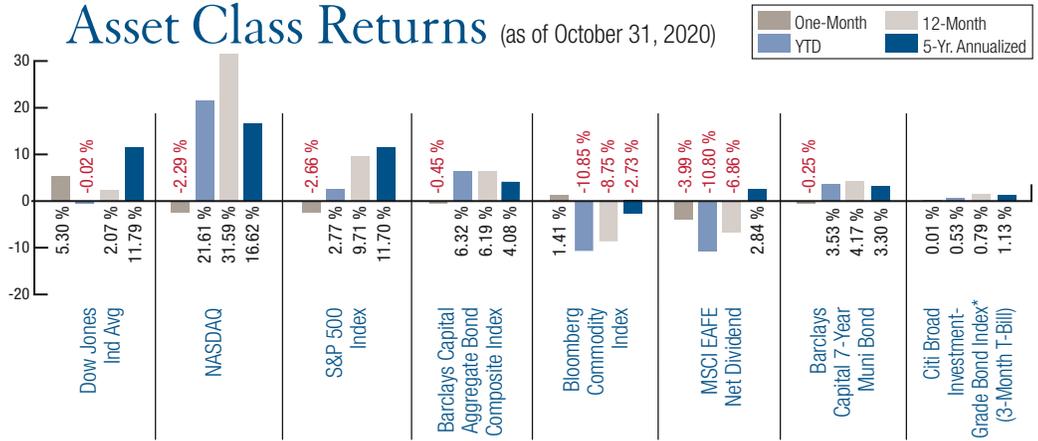


From the Office of Jeff Sgroi, CFP®



“Tough times never last, but tough people do.”
— Robert H. Schuller

Asset Class Returns (as of October 31, 2020)



Market & Economic Synopsis

- Biden/Harris declared president/vice president-elects, but not without legal contest from Trump
- U.S. equities rally in early November after selloff in latter part of October
- Pfizer and German partner BioNTech announce COVID-19 vaccine with 90% efficacy rate
- Two Georgia Senate seats set for runoff election on January 5th; will determine balance of Senate power

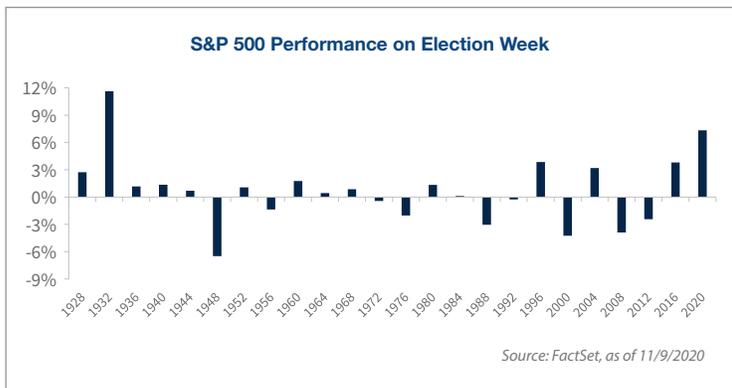
- U.S. Treasury yields and other rates spike post-election
- 638K jobs added in the United States in October, as unemployment rate drops below 7%
- COVID-19 cases spike across Europe and the U.S. as winter season brings potential for additional lockdowns and closures
- Likelihood of additional, near-term Washington stimulus wanes with divided Senate and House

Market Update

As the 2020 calendar begins to wind down, not so much can be said for market activity. On the heels of the early November elections, major progress toward COVID-19 medical solutions, and a rebounding economy, a glut of forces has been moving markets as of late. Below are our thoughts on various factors affecting the markets at the moment.

Broad Perspective

The S&P 500 had an historically strong election week, followed by an historic move upward following Pfizer’s announcement of a COVID-19 vaccine with hugely successful clinical trial results.



Prior to Election Day, investors fretted over many potential election result scenarios, driving the markets lower. Larry Adam, Raymond James’ Chief Investment Officer, notes that most investors assumed that delayed results in the presidential and congressional elections would induce volatility and cause the markets to falter.

Fast forward to post-election, when markets swiftly reversed direction. Leading this rally was the decreased probability of a Blue Wave tax increase, which we expected would reduce 2021 S&P 500 earnings by ~10% (\$151 versus \$165). Furthermore, strong economic data in the form of ongoing job expansion (a.k.a. lower unemployment rates), improving domestic manufacturing data, and a better than expected 3Q20 earnings season that many expect will carry into 2021, has led to near record highs in a number of U.S. stock indices.

COVID-19 Considerations

As we have believed from the start of the COVID-19 pandemic, a medical solution in the form of a vaccine and/or therapeutic will be the ultimate catalyst for market and economic recovery. Pfizer’s announcement on Monday, November 9th, of a vaccine with greater than 90% efficacy has sent massive waves of hope throughout the medical and financial communities, and beyond.

Considerations accompany this progress, however. As Chris Meekings, Healthcare Policy Analyst with Raymond James Equity Research explains, “A vaccine is a big deal, but we do need to manage expectations. Most people won’t be able to get a vaccine in the next few months. Additionally, with the surge we have going on, more local and statewide shutdowns are likely”.

Specifically, Pfizer has stated that it only has a few hundred thousand vaccinations currently available. It expects to have 50 million available in 2020 and 1.3 billion available in 2021. Beyond development time constraints, there are distribution considerations and concerns surrounding hesitancy of many to actually receive the vaccine.

Political Impact on Markets

While we have clarity due to some political results, questions remain. The balance in the United States Senate remains unclear, states Ed Mills, Washington Policy Analyst with Raymond James. Two run-off elections in Georgia on January 5th will ultimately decide control of the Senate. A Democratic majority is still possible, but it will be an uphill battle to reach a 50-50 split with Democratic control. While the market expectation is a Republican-led Senate, that is not yet a certainty, and the trajectory of the Georgia races should be watched for their impact on policy in 2021.

Additionally, while the vaccine news is a clear market positive, it likely changes the dynamics of fiscal relief negotiations in favor of a smaller overall package. The expectation is that a deal will eventually be struck, but the timing remains a moving target. While a lame-duck deal is certainly possible, significant hurdles remain in a limited time period, which could push negotiations into early 2021.

Finally, president-elect Biden has pledged to raise taxes on the highest individual earners as soon as possible. Corporate taxes are likely to move higher too, given Biden’s agenda, contingent on the Georgia run-off elections. Markets typically do not respond favorably to this notion.

Fixed-Income Movement

As often is the case, fixed-income yields have moved higher recently, in lock step with upward equity movement. Ten-year U.S. Treasury yields pushed up toward the underwhelming mark of 1% in trading on 11/09/20. For context, these yields are close to double what they were just three months ago. Kevin Giddis, Raymond James’ Chief Fixed Income Strategist, notes that the Pfizer announcement shifts short-term investor interest toward “risk-on” assets (equities) and away from more conservative asset classes like U.S. Treasuries. He continues, stating that the rise in yield on the 10-year note could be the spark that financials, specifically the banks, need to play a larger role in the U.S. recovery. If inflation can be held at bay, a win-win for the 2021 markets is a possibility.

In summary, 2020 has reinforced the idea that there are no certainties in politics, medicine, and the markets. We welcome your calls and participation toward reaching your goals for this year and beyond, and we are grateful to be your partners in doing so.

From the Officefront

As of Monday, November 16th, we have a new associate, Sarah Gilkeyson, joining our Aspen office. Sarah will be relocating from Asheville, NC and, along with twelve years of experience in the financial services and asset management industry, has an impressive professional track record. Sarah will be working closely with our clients and taking on a number of projects to enhance our client experience that we expect to begin rolling out in 2021. Please join me in welcoming Sarah to our team!

From the Homefront

Like many of you, our family has amended and cancelled much of our travel and activity in 2020. With that being said, after two months of home schooling this fall, cabin fever set in and we ventured out to Hurricane, Utah in October. Highlights included a day trip and hike through Zion National Park (with obligatory tree climbing - Lily’s new favorite activity), an evening at the local

pitch and putt golf course, and two afternoons at Sand Hollow State Park. While exploring the Sand Hollow campground, we stumbled across one of my childhood idols, Glen Plake. My generation knows Glen Plake as the mohawk-wearing, fun-loving, 220-cm K2 extreme skier from the 1980s. He was there for some off-roading adventure, and was nice enough to spend a few minutes laughing with us, signing a poster, and giving my girls a handful of his sponsors’ stickers.



Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

Opinions expressed reflect the current opinion of the author and not necessarily those of Raymond James. All opinions are as of this date and are subject to change without notice. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Investments mentioned may not be suitable for all investors. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.

The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is a diversified index measuring approximately 6,000 investment grade, fixed-rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the U.S. & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets.

There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Commodities may be subject to greater volatility than investments in traditional securities. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company’s board of directors. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.

Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes. Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

CFP Board owns the CFP® and Certified Financial Planner™ marks in the United States.

Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.