



Soundings

What's New - October 2020

Quote of the month:

“Human beings are works in progress that mistakenly think they are finished.” Daniel Gilbert, PhD

Think back to the person you were five years ago. What were you thinking? What were you doing? Where did you expect to be in 5 years? Now, look in the mirror. Besides an added wrinkle or two, a little more silver in your mane, or a little less mane in general, how are you different? Take it the next step. Think about yourself five years from now. What will you be doing? What will you be thinking? Where do you think you'll be five years from then? Trail-blazing psychologist Benjamin Hardy, talks (and writes) about our future-selves and how we are often the biggest impediment to our own success and progress down life's rocky road. If you or someone you care about is a little “stuck” and needs a jump-start, go to www.benjaminhardy.com and look at his 30-day program. Collin and I are on Day 8.

September behaved as September often behaves, like a spoiled 3-year old. It wasn't unexpected, the markets had been on a tear and needed a “time out.” But the 3rd quarter overall was quite strong with the S&P 500 adding 8.5% and the technology heavy NASDAQ putting on 11% according to RJ Chief Investment Officer, Larry Adam. He notes that volatility isn't likely to go away in the near term, given the uncertainties around the election, but once the issue is settled, investors usually make a quick return to form.

Is the economic recovery for real? In this month's *Market & Economic Commentary*, I've placed a piece from Google Finance that looks at the astounding number of new businesses created in the 3rd quarter, a sign that things could be a lot better than many think. It's a great read, encouraging, and well worth your time. First, the numbers...

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Market Update - Year to Date Returns

<u>Major Indexes</u>	<u>(As of 10/01/20)*</u>
Dow Jones Industrials	-2.7%
S&P 500 Index	4.1%
NASDAQ	24.5%
DJ Global ex US	-6.5%
Russell 2000 (small cap index)	-9.6%
Barclays Capital Aggregate Index (Bonds)	5.1%
XAU (gold/silver)	33.8%

Source: The Wall Street Journal

D.A.L.I. Signals - 10/01/2020

[D.A.L.I. Page](#)

Dom. Equities	Fixed Income	Cash	Currency	Commod	Int'l Equities
251 23.3%	230 21.3%	198 18.4%	161 14.9%	127 11.8%	112 10.4%

Source: Nasdaq Dorsey Wright

- 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 investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Barclays Capital Aggregate Index measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's, or Fitch Investors Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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Market & Economic Commentary

Applications to form businesses in the U.S. surged unexpectedly in the third quarter, signaling the labor market may recover more quickly from the coronavirus financial crisis than during previous recessions. “New businesses play an important role in job creation...New business formation is critical for the employment outlook, with new and younger firms historically accounting for the lion’s share of net job growth,” according to a new research note from Goldman Sachs.

Business creation declines in a typical recession, but this pandemic is shaping up to be an anomaly. While the official Census data for business formation for the third quarter will be published on Oct. 14, the Census reported a total of 97,190 business applications for the week ending Sept. 19, representing a 45.1% year-over-year jump. Looking back at the second quarter data, total business applications reached an all-time high of 883,174 applications.

There’s another optimistic sign: “high-propensity to succeed” business applications — or those that are best positioned to survive — reached their highest quarterly level on record for the third quarter, after seeing virus-related declines in March and April. The authors describe this economic crisis as markedly different from the 2008-2009 recession, specifically laying out the two major reasons this is the case. “First, the monetary and fiscal policy responses were much more aggressive than usual, easing financial conditions and provided a catalyst for self-employment given new work from home arrangements. Second, the pandemic has provided many opportunities for new types of businesses.”

History shows it’s certainly not unprecedented for recessions to yield new businesses, though. Even the 2008 financial crisis paved the way for the so-called disruptors that have defined the last decade. Airbnb and Groupon (GRPN) were founded in 2008. WhatsApp (FB), Uber (UBER), Slack (WORK), Venmo (PYPL), and Square (SQ) were created the following year, becoming some of the most widely known and recognized companies in the world, particularly during a digital-forward stay-at-home-centered economy.

Former Chicago mayor Rahm Emanuel (echoing Winston Churchill, who first used the phrase after World War II) said, “Never allow a good crisis go to waste. It’s an opportunity to do the things you once thought were impossible.” He repurposed the sentiment in March, attempting to galvanize government officials early on in the pandemic. “This pandemic is actually inducing a surge in employer business startups that takes us back to the days before the decline in the Great Recession,” John Haltiwanger, a University of Maryland economist, told The Wall Street Journal recently.”

Of course, not all firms are created equal. Applications include those who are self-employed or freelance for their main source of income. More Americans, perhaps those who were laid off or furloughed, have taken to freelancing or working for themselves during this time of crisis.

Goldman couches the positive news on business formation with an important caveat: “Some of the surge in recent business applications likely reflects ‘pent-up’ applications from a backlog due to statewide closures in the early stages of the pandemic.”

Melody Hahm, A powerful source of job creation is on a record-breaking upswing, Yahoo Finance, September 29, 2020

On a Personal Note

I checked one off the bucket list last month. Of course, it involved motorcycling, people, and travel. The Mid Atlantic Back Country Discovery Route (MABDR) is one of 11 (and counting). BDR is a non-profit organization that creates off-highway routes for dual-sport and adventure motorcycle travel. I led a group of 4 motorcyclists, and two spouses in support trucks, on the 1,052-mile trek starting in Damascus, VA and ending up in Lawrenceville, PA on the border of NY. We had a blast on this 6-day adventure, which loosely follows the Appalachian Trail. Off-road motorcycling is my therapy and the “therapists” in the BDR organization have put together routes across the most interesting states out west and more recently branched out to the east coast with the MABDR and the North East BDR, which we plan on riding next year. The terrain and weather were both spectacular. We traversed the mountains of VA, WV, and PA riding the trails through numerous National Forests. It was about 65% dirt, 35% pavement but when on the asphalt, we kept to the roads less travelled. As ride planner and leader, my major goal was to bring all men and machines home, undamaged. I’m happy to report, Mission Accomplished. Of course, we met interesting people from all walks of life along the way, one of the best parts of long-distance moto-travel. And with laptop in tow and Collin and Sandy manning the office, we didn’t miss a beat on the practice front. If you’ve got an adventurous streak and a wandering soul, check out www.ridebdr.com.

According to Wikipedia, the 16th card in the Tarot deck is known as the Tower. It’s associated with danger, crisis, sudden change, and destruction. How curious that a couple weeks ago, on September 16th, 16 years to the day that Hurricane Ivan dropped by, Hurricane Sally was churning off our coastline. Kathleen and I were still on our way home, racing in the opposite direction as the storm, to what looked like the same destination. We stopped for the night in Roanoke, tuned the hotel TV to the weather channel, and saw that most dreadful of sights...Jim Cantore was in our town. Our fate sealed, we called it a night, prayed and hoped for the best. Sixteen years earlier, Hurricane Ivan took us out. Ivan was truly terrible, a 1-2 combo of water and wind. What the storm surge didn’t take of our home, the tornados did. This time, we got lucky. Sally was mostly a water event. At peak tide, the water made it about halfway up the yard, but the roof and windows held. When all was said and done, we lost some shingles, roof fascia, and soffit. We are truly thankful, and our hearts go out to those with more damage.

How about a happy story? I’m the president of the BMW Motorcycle Riders of the Emerald Coast. It’s really a misnomer since we welcome any rider on any brand, and you don’t even have to have a tattoo ;) This year, our “mother” club, the BMW Motorcycle Owners of America, established the first annual Ride it Forward project, a national day of charity. Local clubs would raise money for a cause they believe in and on September 26th, would hold a ride to present their gifts. Covid delayed the national project until next year, but our club decided the time was right for a little “do-goodery.” Last Saturday, on a gorgeous autumn day, our club rode out to the Ye Olde Brothers Brewery in Navarre to present checks to two very special organizations. “Save a Veteran/Rescue a Dog” is the motto of Healing Paws for Warriors. They match post 9/11 veterans suffering from PTSD, TBI, or MST, with a rescue dog. They train the veteran to train their dog and after graduation, these same veterans go on to mentor future participants. How’s that for paying it forward. Since 1975, the Air Force Enlisted Village, originally known as Bob Hope Village, has provided a safe, secure & dignified home for surviving spouses of retired enlisted U.S. Air Force personnel. We chose these two wonderful organizations as recipients of our gifts. It was a special day that I won’t soon forget.

Finally, last month proved again, that life is both fragile, and often, way too short. Three folks whom I cared about passed away within 3 days of each other. They all left behind loving families. A saving grace is that all were spiritual and know that it’s not the end of the story. The takeaway for me... don’t ration love. To that, love to you all.

Warmest regards,



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