SOUNDSIDE
WEALTH ADVISORS

Soundings

What's New – September 2020

Quote of the month:
"When I was your age, television was called books." William Goldman, The Princess Bride

We "cut the cord" about a year ago…haven't missed a thing. Books. Life's instruction manual. Got a problem? Struggling with an issue? Chances are pretty good that someone you respect and admire has gone through the same and been courteous enough to write about it. Biographies, memoirs, self-help…choose your genre. The answers are all out there. I know…you'd like to read more but just don't have the time. Well, I've heard they even stream the things these days. And then there's fiction.

The beat goes on. I was only 10 years old when word broke that Sonny & Cher were calling it quits. I still remember a profound sadness. You certainly won't feel that way when you open your account statement. It was another banner month, the best since April according to the Wall Street Journal. The S&P 500 and Nasdaq composite both notched all-time highs while the Dow is just a fraction of a percent away from turning positive on the year. If you're a music fan and want yet another reason to smile, make sure your volume is up, then click or type this into your internet search bar https://www.youtube.com/watch?v=bS3O5zg290k

Compared to their counterparts across the pond, U.S. stocks have had the upper hand over the last decade. But that's not always the case. Like everything in nature, things move in cycles and many in the investment world think the time may be coming for the international markets. In this month's *Market & Economic Commentary,* I've placed a piece that considers a multitude of facts and comes to some interesting conclusions. Incidentally, the rules governing our tactical models recently came to the same conclusion. Give Mr. Weil's piece a read, it's worth your time. First, the numbers…

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Market Update – Year to Date Returns

Major Indexes	(As of 09/01/20)*
Dow Jones Industrials	-0.4%
S&P 500 Index	8.3%
NASDAQ	31.2%
DJ Global ex US	-4.2%
Russell 2000 (small cap index)	-6.4%
Barclays Capital Aggregate Index (Bonds)	5.3%
XAU (gold/silver)	44.2%

Source: The Wall Street Journal

D.A.L.I. Signals - 09/01/2020

[D.A.L.I. Page]

Dom. Equities	Fixed Income	Cash	Currency	Commod	Int'l Equities
235 21.7% (+26)	**223** 20.6% (-9)	**194** 17.9% (-28)	**161** 14.8% (-1)	**148** 13.6% (+4)	**124** 11.4% (+7)

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

Foreign stocks have had a rough go of it compared with U.S. stocks over the past decade. That might be about to change. Stocks in foreign developed markets as well as emerging markets have greatly underperformed U.S. shares for years, pushing U.S. stock valuations far above foreign valuations.

Now, the question is whether valuations, along with shifting global economic fundamentals, make foreign stocks an attractive investment—perhaps finally justifying the long-held advice that U.S. investors keep at least a portion of their portfolios in overseas shares or funds. Many investing professionals say the answer to that question is yes. “If you’re investing for the next 10 years, valuations are compelling to invest overseas,” says Steven Violin, a portfolio manager at F.L.Putnam Investment Management Co. in Wellesley, Mass.

In the 10 years through July 31, the S&P 500 returned 13.84% annualized, including dividends. That compares with 5.3%, in dollar terms, for the MSCI World ex-USA Index of developed nations and 3.69%, in dollar terms, for the MSCI Emerging Markets Index. That has kept U.S. stock valuations at the top of the totem pole. As of July 31, the forward price-earnings ratio, based on earnings estimates for the current fiscal year, totaled 23.84 for the S&P 500, 18.57 for the MSCI World ex-USA Index and 15.84 for the MSCI Emerging Markets Index, according to Morningstar Direct.

On the economic front, many countries are further along than the U.S. in emerging from coronavirus lockdowns. Numerous countries also have adopted successful economic-stimulus plans. Those perceived economic advantages show up in earnings forecasts. Analysts polled by FactSet predict earnings for companies in the MSCI Emerging Markets Index will fall less than earnings for companies in the U.S. S&P 500 index this year. And emerging-markets earnings are seen rebounding more than U.S. earnings next year.

Some investment managers are particularly enthusiastic about emerging markets, where stocks already have outperformed their U.S. counterparts over the past three months. “With a long-term view of where the world’s growth is likely to emanate from, emerging markets is where you might like to place your bets,” says Karim Ahamed, a financial adviser at Cerity Partners in Chicago. “They have young and vibrant economies, growing faster than developed markets.”

Economic-growth numbers are stronger for important emerging markets, such as China, than for the U.S. The International Monetary Fund estimates that U.S. GDP will contract 8% this year, compared with a 3% contraction, on average, for emerging markets. Next year, the IMF expects a 4.5% rebound in the U.S., compared with a 5.9% bounce-back, on average, in emerging markets.

Many developed countries, as well, are ahead of the U.S. in the coronavirus cycle. Many investment pros are impressed with the European Union’s ability to craft a €750 billion ($880 billion) fiscal stimulus package, passed last month. In the U.S., by contrast, Democrats and Republicans have been unable to agree on another round of stimulus that most analysts think is needed to buoy the economy. While the IMF predicts GDP will shrink more in the euro area than in the U.S. this year—10.2% to 8%—it sees a bigger recovery for the euro area than for the U.S. next year—6% to 4.5%.

Market history has played out this way for the past 50 years, with the direction of U.S. and foreign markets flipping at the end of every economic cycle, which often last about 10 years, Mr. Kleintop says. So he anticipates foreign stocks will outpace U.S. shares for the next decade. “Most investors faced with challenges retreat to what has worked—leaders of the last cycle,” Mr. Kleintop says. “That’s the wrong instinct. Rebalancing now [toward foreign stocks] is more important than anytime in the last decade.”

Dan Weil, “Why It Might Be Time to Invest in Non-U.S. Stocks”, Wall Street Journal, August 9, 2020

On a Personal Note

As of late, it's been the Collin show on the "back-page" so I thought I'd give you an update on our first-born. We last left you with Alex and wife Claire, living in Manhattan's Upper East Side. As you can imagine, the times have been a changin'. Here's their story, from the pen of the "kid" himself.

The week before we left for Colorado, the city had just begun to feel the effects of the virus. On the work front, offices were beginning to discuss the possibility of employees working from home. On the home-front, the hoarding had begun. You know about the great TP shortage. On top of that, we weren't able to get the basics: bread, eggs, meat, canned goods, pasta, or any other basic items. We made the call to leave the city for a week or two to let things work themselves out. We hopped a plane to Denver, a KPMG city, and moved into the basement studio of Claire's folks house on March 15th.

Upon landing in Denver, we turned on our phones to learn that the Mayor was shutting down the city. Close call. We figured we'd spend a couple of weeks in the Rocky Mountains, and head back to New York. Not a terrible way to spend the Springtime. As you all know, that did not happen.

Though unexpected, we've really enjoyed our time in Denver. Before we left New York, it had been a crazy-busy tax season, 80-90-hour work weeks were the norm. Claire's work had also picked up substantially and she was starting to feel the effects of being around 2-3-year old's all week. In Denver, we were able to reset and recover. I was still working 80-hour weeks, but working from the comfort of home made it much less brutal. Claire continued her sessions with clients over video calls, but gone were the days full of sneezing and coughing 2 ½ year old's. It was a very nice respite.

The relaxed pace also allowed me to explore other job opportunities. Working for a big four accounting firm puts you in the sights of recruiters and I decided it didn't hurt to talk. I had some interesting conversations with several companies and after five rounds of interviews, I accepted an offer from Peloton. Big pay raise, better working hours, great co-workers…I couldn't be happier or more excited.

Claire has also been widening her horizons. She's always had a passion for health and wellness which led her to yoga at a young age. For years, she's wanted yoga be a bigger part of her life and now, decided to take action. Claire applied for and was accepted into a six-week program with one of the most highly-regarded yoga studios in the country. She'll learn how to deepen her practice and how to instruct others. Needless to say, she is so excited to see where this road will take her.

Our time in Colorado hasn't been all work. We've taken time to explore the area and even taken a road-trip or two. Most recently, we crossed the border to Utah to visit Moab and Arches National Park. Explorer Dad had been there a few times and gave us some great suggestions on things to do and places to see. We spent a day hiking around Arches National Park, a place of soul-stirring beauty for this Florida-boy. Later that day, we took in the sunset from Dead Horse Point State Park, google it, you won't be disappointed.

It's looking like our time in Colorado won't end any time soon. My job with Peloton will eventually have us back in NYC. That said, they just let us know that we'll most likely be working remotely through the rest of 2020. It's the same story with Claire and her employer. We are looking forward to more exploring and traveling out here, even if we are starting to get a little homesick. Thanks for listening, Alex.

Warmest regards,

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