Thoughts from the Holy City – September 2020

"Wealth is the ability to fully experience life."

- *Henry David Thoreau*

As summer concludes and we all prepare for what is normally a busy time of year, it has undoubtedly been a year that we will all remember. The equity markets have rebounded from their depths in March and have once again hit all time highs. The S&P 500 hit a new all-time high on August 18th and continued the climb through the remainder of the month. As we look ahead to the remainder of the year it comes with some unknowns not only from Covid-19, but also the upcoming Presidential Election.

August has historically been relatively weak for the equity markets, but the S&P 500 climbed over 7% in August and closed out as the best summer performance since 1938, up 18% post Memorial Day. The markets have been buoyed by a stronger than expected earnings season, progress on Covid vaccines, continued stimulus, and improving economic data. There has been divergence in the performance of the markets as the DJIA is down -.38% year to date, the Nasdaq up 31.24%, and the S&P 500 positive 8.34% for the year. Federal Reserve Chairman Jerome Powell announced that the central bank has adopted a new approach to inflation that is more tolerant. Acknowledging that low unemployment benefits low- and medium-income households, they have also adjusted its employment objective. As a result, short term interest rates are most plausible for the next couple of years.

The next four months will most likely be accompanied by bouts of volatility as the economic outlook continues to depend on the virus, containment efforts and support from the government. Consumer spending has rebounded since March as Americans have emerged from quarantine and isolation. The housing market has also been strong due to low interest rates as well as many Americans looking for more space outside of the cities, and the realization that there is a shift in the prospects of working from home. The 10-year yield fell to a record close in the month of August on fear of a longer and lower recovery in the economy. As long as the Federal Reserve remains accommodative and the U.S. economy attempts to find its footing, interest rates will most likely remain low and range bound.

The year of 2020 will certainly be one we will a look back on and realize that it was and has been a very challenging time for us all, but it has also come with some positives. As we all settled into, or at least tried, our new routines of working from home, wearing masks, washing our hands frequently and Zoom calls, it also gave us the ability to self-reflect. Many have taken the opportunity to get into better shape, spend more time with their families and evaluate what is truly important. For many, that has been our health, religion and families. I personally have used the opportunity to spend more time with my new and growing family, focus on being a better friend and family member, and focus on my business and clients.

The pandemic has been unique in that everyone in the entire country and world, for that matter, has been affected in one way or another. There will always be business cycles, market pullbacks, and other events that affect the economy and markets, and we can either panic and react, or assess and act. I believe that as an advisor it is more prudent to choose the later, not only for myself, but for everyone. My job is to help the individuals, families, and non-profits that I am so fortunate to work with, find their true wealth and help them live the lives that they desire.

Be Safe and Well.