knowledgeable thoughtful ethical experienced interac

summaries

SIGMA INVESTMENT COUNSELORS

the official newsletter of sigma investment counselors October 2020

MARKET COMMENTARY

The third quarter of 2020 started out great. July and August were terrific for stocks, driven mostly by large cap growth. Despite continued dismal GDP numbers, the market rose on stronger than expected employment numbers, monetary support from the central banks, stimulus funds, progress towards Covid treatments and vaccines, and better than expected corporate earnings and outlooks.

This was followed by a 10% correction from the August highs into September. This was seemingly driven by fears of a second Covid wave, continued high unemployment, struggling small businesses, and mounting fiscal deficits.

Benchmark Returns	Q3	YTD
Domestic Equities		
S&P 500 Large Cap	8.93%	5.57%
S&P 400 Mid Cap	4.77%	-8.62%
S&P 600 Small Cap	3.17%	-15.25%
International Equities		
MSCI EAFE Dev Int'l	4.80%	-7.90%
MSCI Emerg Markets	9.56%	-1.16%
Bonds		
Barclays U.S. Agg Bond	0.62%	6.79%

Despite the increased volatility in September, most equity classes still showed a positive return for the quarter. Considering the Covid pandemic's continued effects on the economy, the equity market returns are remarkable. Once again, remaining calm through the storm has proven to be the best advice so far in 2020.

Bonds have continued to be a safe haven for investments. Interest rates remain low but have been stable. The Fed has given guidance that they plan to keep rates low for the foreseeable future. They have also stated they will allow inflation to rise higher than the prior guidance of 2% and take unemployment rates into consideration before raising rates. We manage our client portfolios and plans with an eye towards inflation and maintaining their purchasing power over their lifetime.

While 2020 has so far been only best described as unpredictable, with the election around the corner one could make an easy prediction of continued volatility. We can find many arguments for a better economy and stock market under both candidates. However, study after study have shown that despite whoever is in the oval office, staying invested for the long run has always proven to be the best strategy. The market continues to respond to fundamentals like corporate earnings, interest rates, productivity, and labor growth. The forces driving the markets are typically stronger than the politics in Washington. It is important to remember that while a particular party or president may be described as "good" for the market, these long-term fundamentals are what matter most and drive returns over the long run.

Having a solid plan including adequate cash and short-term investments to cover near term spending is a key component of our client advice. Not having to sell during a market dip whether from an election, virus, terrorist attack, or other unknown has rewarded investors in the past and should continue to do so in the future.

As always we welcome your questions and comments.

Marisa A. Bradbury, CFA, CFP®

Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives