

PERSPECTIVES & OUTLOOK

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Earnings Collapse Can't Sink Stocks

Q2 corporate earnings fell 34% from a year earlier and yet the S&P 500 jumped 5.5% in July. Continued strength in stock prices reflects investors' willingness to think long-term, and give most companies a mulligan on their latest earnings reports.



Weaker Dollar Boosts Int'l Returns

Unprecedented stimulus from our federal government and money-printing from the Fed have contributed to a weaker US dollar. This has buoyed International Equity returns as well as increased the demand for gold.



The Power of the Printing Press

The Federal Reserve's commitment to flood the financial system with liquidity has been a game changer for investor sentiment and equity valuations. If signs of weakness re-emerge, the Fed will surely do even more to support asset prices.



Election Could Bring Big Changes

Less than 3 months until Election Day, the odds favor a change in presidential leadership. More significant to financial markets is the possibility of a Democratic sweep that includes Senate control. Such a scenario would lead to major legislative changes.



Biggest Stocks Carrying the Benchmark

The S&P 500 has never been more top-heavy. Apple, Microsoft, Amazon, Facebook, and Alphabet make up nearly 23% of the benchmark index. Exceptional performance from stocks with the largest capitalizations is masking weakness in the broader market.



Growth in Demand, Value is Not

In an economic environment where growth is hard to find, investors are willing to overpay for it. Be wary of companies or sectors trading at rock-bottom valuations. Some industries will be forever changed by the COVID-19 pandemic.



Gold Has Broken Out to the Upside

Gold prices have risen 35% in the last 12 months, with half of that increase coming since early June. Investors need not be bearish on equities to have a positive outlook on gold, an attractive diversifier that's also a hedge against eventual inflation.



Better Response Means Healthier Stocks

The United States is a notable exception, but global data shows countries that responded best to COVID-19, in terms of public health policies, have also had better stock returns. It's a reminder that public health is critical to long-term economic health.