

Monthly Market Commentary

With the turning of the leaves in early Autumn, we hope that you had a wonderful summer. Now it is time to break out the long-sleeves and pants and decorate our homes for the soon to come Halloween season. Since everyone will be wearing masks this year, it seems that it may be the most popular Halloween yet!

Following a strong run for risk assets in August, equities staged their first meaningful pullback in September as several key risks have resurfaced. First, additional stimulus has yet to be materialized and remains in negotiations as many parts of the Cares Act start to rollover and/or are exhausted. With high levels of unemployment and a looming potential for a second wave of Covid-19 as we get into the colder months, the economy remains fragile. Economic activity is at the risk of a rollover or an extended slowdown if these programs expire and no resolution is reached as these measures helped backstop some of the economic damage and disruption caused by the pandemic. Additionally, various vaccine candidates are in their phase 3 trials and show high efficacy so far. However, the exact timeline of approval and broad distribution may run well into 2021 which brings further uncertainty for an already fragile economy.

Economic data over the last month continued to improve from the lows, but the rate of change has started to slow. Global economies may not reach pre-pandemic levels of activity and output for another two years unless we have a universally available vaccine for the virus and an extended accommodative policy on a global scale. As we get closer to the election and uncertainty associated with the process as well as the outcome, we expect volatility to remain elevated for the next few months. We believe the markets have started discounting some of these risks, and we will continue to assess any opportunities that arise and adjust exposure, respectively.

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