



MARKET UPDATE

QUARTER 3, 2020

This historic recovery of asset prices of the second quarter continued into the third despite the worst September for U.S. stocks in nearly a decade.ⁱ During this time we have seen consumer spending recover, largely due to government stimulus, and we have seen a high level of resilience and adaptability within the economy and within the financial markets in general. However, the recovery remains uneven with some sectors of our economy, especially service sectors, remaining in great difficulty as they remain shut down or lightly used.ⁱⁱ

For the quarter, domestic large company stocks (S&P 500) increased 8.93% while small company stocks (Russell 2000) increased 4.93%, with growth stocks faring better than value stocks across all market capitalizations. The weakest sectors within the economy were energy and financials, while consumer discretionary, materials and industrials were stronger sectors by comparison.ⁱⁱⁱ

The U.S. dollar depreciated against most major foreign currencies during the quarter. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter, the MSCI EAFE Index (in U.S. dollars) increased 4.80% while the MSCI EAFE Index (in local currency) increased 1.22%.ⁱⁱ

The demand for U.S. Treasuries decreased modestly during the quarter, pushing yields higher with lower bond prices (bond yields move inversely to bond prices). The yield on 10-year Treasury bonds started at 0.66% on April 1 and rose to 0.69% by quarter end. For the quarter, the Barclays U.S. Aggregate bond index (a blended composite) increased 0.62%.ⁱⁱ

On September 16, the Federal Reserve's Open Market Committee maintained the target range for the federal funds rate to between 0% and 0.25%. In a press release following the meeting the Fed acknowledged that "the COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world" and that they are committed to using all tools available to support the U.S. economy during this challenging time.^{iv}

Looking forward it is reasonable to expect that higher than normal volatility within the financial markets, both up and down, to continue as we approach the election and uncertainty remains around the coronavirus, a vaccine, and an eventual return what we know as normal. Until then we continue to encourage our clients to remain businesslike with their portfolios, focusing on what matters and what is in our control, investing in globally diversified portfolios appropriate for the time horizons of our financial goals.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written by North Star Resource Group

(Average Annual Returns chart on next page)

AVERAGE ANNUAL RETURNS FOR PERIODS ENDING 9/30/2020						
INDEX	3RD Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
S&P 500	8.93%	5.57%	15.15%	12.28%	14.15%	13.74%
Russell 2000	4.93%	-8.69%	0.39%	1.77%	8.00%	9.85%
MSCI EAFE (U.S. dollars)	4.80%	-7.09%	0.49%	0.62%	5.26%	4.62%
Barclays US Aggregate Bond	0.62%	6.79%	6.98%	5.24%	4.18%	3.64%
BENCHMARK COMPOSITES	3RD Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
Aggressive Growth	6.82%	-0.99%	7.97%	6.68%	10.47%	10.50%
Growth	5.56%	1.18%	8.50%	6.67%	9.40%	9.28%
Conservative Growth	4.48%	3.64%	9.22%	6.94%	8.45%	8.09%
Income and Growth	3.19%	5.03%	8.81%	6.51%	7.08%	6.61%
Income	2.10%	6.80%	8.81%	6.50%	6.02%	5.45%

You cannot invest directly in an index. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Tracking Number 3267232/ DOFU 10-2020

¹McCabe, Caitlin, "Value Stocks Are Outperforming Growth – at Least for Now", Wall Street Journal, https://www.wsj.com/articles/value-stocks-are-outperforming-growth-at-least-for-now-11601469027?mod=series_q32020marketsreview, Accessed 1 October 2020.

²Wesbury, B., Stein, R., Elass, S., Opdyke, A., Gill, B., "Full Recovery Requires Reopening", <https://www.ftportfolios.com/Commentary/EconomicResearch/2020/9/28/full-recovery-requires-reopening>, Accessed 1 October 2020

³Morningstar Direct

⁴Federal Reserve press release, [federalreserve.com, https://www.federalreserve.gov/monetarypolicy/files/monetary20200916a1.pdf](https://www.federalreserve.gov/monetarypolicy/files/monetary20200916a1.pdf), Accessed 1 October 2020

https://www.capitalgroup.com/advisor/insights/articles/us-midyear-outlook-2020.html?sfid=431302827&cid=80102861&et_cid=80102861&cgsrc=SFM&alias=E-btn-LP-12-A2cta-Advisor, Accessed 6 July 2020.