

# In the **loop** w/ **FinDec**

September provided the S&P500 index with its first monthly decline since March 2020. Market commentators jumped at the first sign of renewed volatility and flooded the media outlets with their archived doom and gloom headlines. The archives of negative viewpoints must have been busting at the seams given the last 5 straight months thru August of positive gains in all three major US stock market indexes.<sup>2</sup>

Back to back negative weeks during September on the S&P500 Index was all that was needed to see headlines touting that the imminent recession that was imagined in February is upon us and the

inevitable stock market bubble is going to burst. With no progress in Congress on the second stimulus bill, increases in positive COVID-19 cases, and the US unemployment at 7.9%,<sup>3</sup> how could anyone not think the economy is going to crumble? It's really just a question of how fast and how severe, right?

Taking a step back, and allowing the media to purge some of their backstock of negative headlines, the reality is that the S&P500 Index hit an all-time record close of 3,580.84 on September 2nd.<sup>4</sup> Understanding how the markets work, people buy and sell from one another and eventually agree on a price. As the price is lower, more people buy assuming it is a good deal. More people buying drives the price up. However, there is a point at which people stop buying because the price is too high. This slowdown in buying causes the price to come down until it finally hits a price that is agreeable to both buyers and sellers. The technical term for this is "reversion to the mean".

What we saw in September is simply a reversion down to the mean and is a healthy pause to the continued increase the market has seen over the past 5 months. Yes, the S&P500 Index was down a bit under 4% in September, it still had an impressive quarterly return of just shy of 9%. In all, the S&P500 Index is still positive over 5.5% for the year thru the first three quarters of 2020.<sup>5</sup>

Looking at economic fundamental indicators, specifically the Conference Board Leading Economic Index (LEI), the August LEI numbers



<sup>1</sup> Morningstar

<sup>4</sup> Ibid

<sup>2</sup> Wall Street Journal

<sup>5</sup> Ibid

<sup>3</sup> U.S Bureau of Labor Statistics

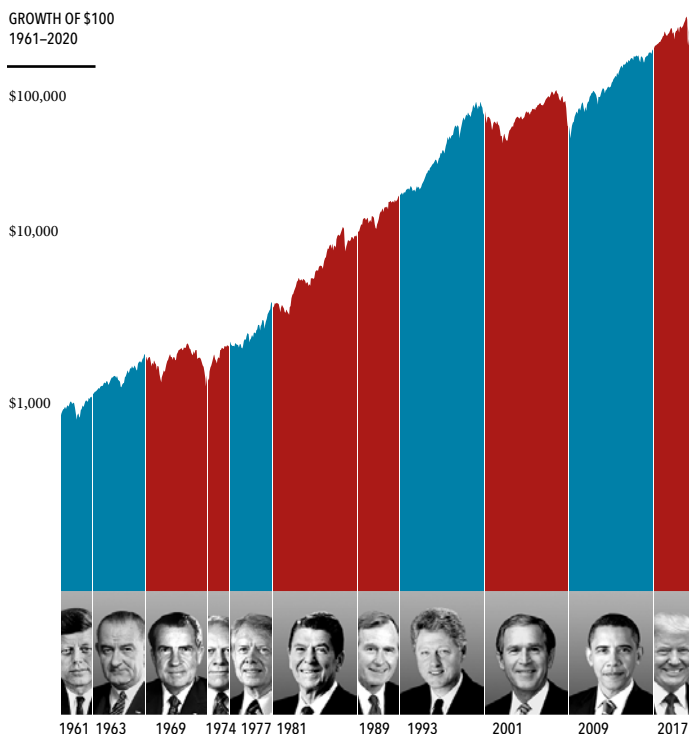
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that were released in September posted a gain of 1.2% for the month. August's positive LEI numbers just added to the LEI gains posted in July and June of 2% and 3.1% respectively.<sup>6</sup> In our opinion, September is not the start of the market meltdown, but instead a welcomed pause in the continued recovery of the markets from the COVID-19 containment efforts. As stated in prior months newsletters, the market views information as better or worse, and so far the market continues to behave better than worse.

Looking forward for the next few months, we are entering election season and are anticipating continued and increased volatility in the investment markets. We are keeping a close eye on how the elections may impact the overall markets and stand ready to adjust our clients' portfolios in a prudent and thoughtful manner.

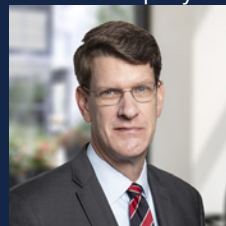


## WEBINAR: Making Sense of the Political Landscape Post-Election Day

Join FinDec's CIO, Tolen Teigen, as he dives into pivotal post-election questions during our one-hour session with Schwab's legislative and regulatory affairs expert Michael Townsend **Wednesday, November 11th at noon PST** for the latest developments out of Washington—along with how policy and politics are impacting the markets and your future.

Michael will discuss the election, trade, taxes, the budget, and the regulatory environment. With 25+ years' experience inside the Beltway, he is uniquely qualified to cut through the noise and help advisors understand the fast-changing political landscape.

Please be sure to mark your calendar, as there will not be a replay of this Zoom meeting.



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