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Economy & Market Valuation

After an impressive comeback in 2Q of 2020, the US stock market’s rise slowed down in 3Q of 2020. This was expected and we had stated in our 2Q 2020 newsletter that we do not expect 3Q 2020 returns to be anything like 2Q 2020. The stock market as measured by the S&P 500 index went up by 8% in 3Q of 2020. We at OCA are proud to say that most of the OCA portfolios outperformed the S&P 500 index by a significant margin. OCA outperformance can be attributed to the stock picks in our portfolio. Our weightage towards growth stocks helped us beat the market. Some of the stocks that helped us beat the market and their 3Q 2020 returns are listed below

Stock	3Q 2020 return
LVGO	86%
Sea Ltd.	44%
OTRK	140%
SQ	40%
CVNA	90%
ROKU	78%

We are now almost a month from US elections that are going to take place on Nov 3, 2020. We expect the stock market to be volatile due to uncertainty of the outcome of the election. We believe the market will stay positive once the uncertainty of the elections is over.

Irrespective of the outcome of the November elections, there are many positive factors for the US market. The Federal Reserve has injected a huge amount of liquidity and its impact will be fully seen in 2021. Typically, there is a 6 to 12 month lag between the Fed’s action and its impact on the economy. The US economy which entered a recession in Feb 2020 is now coming out of the recession. The US economy is not performing at full potential and there is lot of room for growth as the economy tries to close the output gap. We expect that the US Congress will pass another stimulus package in the next 2-3 months which will help the economy. We expect the impact of the pandemic to start waning down in 2021 as therapeutics improve and vaccines are launched.

We have increased the percentage of cash in the portfolio due to expected increased volatility in the market. Like always, we are keeping a close eye on the economy, market and elections, and will adjust the portfolio as necessary.

Stay safe during the pandemic and take necessary precautions.