The third quarter had a number of positive, negative and non-events. Gains were trimmed by a September sell off. Nonetheless, U.S. and foreign stock funds had another period of positive returns (details below).

On the positive side, Covid-19 seemed to be on the wane and lockdown restrictions were loosening. Good progress was made on virus treatment drugs and possible vaccines. (In October, however, the virus seems to have gained new strength.) Other positives were the Fed’s decision to keep interest rates low for the foreseeable future. Also, due to the loosening of lockdown restrictions, employment was increasing and the unemployment rate was decreasing. By contrast, on the non-event side of the ledger, the Senate and Congress could not agree on a second stimulus plan. Last, but certainly not least, the presidential election season has ramped up!

Internationally, major areas were positive for the quarter except for Latin America (-.9%). For the twelve months International areas were positive except for Latin America (-27.3%). The loosening of Covid-19 lockdowns had a positive effect.

Market results are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending 9/30/2020** | **12 MONTHS Ending** **9/30/2020** | **THREE YEARS Ending** **9/30/2020** | **FIVE YEARS Ending** **9/30/2020** |
| **DJIA** | 8.2% | 5.7% | 10.0% | 14.0% |
| **S & P 500** | 3.9% | 15.2% | 12.2% | 14.2% |
| **NASDAQ Composite** | 11.0% | 39.6% | 19.8% | 19.3% |
| **Barclay Agg. Bond** | 0.6% | 7.0% | 5.2% | 4.2% |
| *Mutual Funds* |  |  |  |  |
| Domestic |  |  |  |  |
|  *Large Cap* |  |  |  |  |
|  Growth | 11.5% | 32.1% | 18.2% | 17.0% |
|  Value | 4.9% | -4.5% | 2.6% | 7.3% |
|  *Small Cap* |  |  |  |  |
|  Growth | 8.2% | 18.7% | 11.1% | 12.9% |
|  Value | 3.0% | -14.3% | -5.5% | 2.7% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| International |  |  |  |  |
|  |  |  |  |  |
|  Europe | 5.5% | 2.5% | -0.2% | 4.8% |
|  Latin America | -0.9% | -27.3% | -8.2% | 7.7% |
|  Japan | 7.6% | 7.5% | 3.4% | 8.0% |
|  Pacific ex Japan | 9.5% | 18.1% | 6.7% | 10.5% |
|  China Region | 11.2% | 31.4% | 6.5% | 11.5% |
|  India | 14.8% | -0.9% | -1.8% | 4.0% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending 9/30/2020** | **12 MONTHS Ending** **9/30/2020** | **THREE YEARS Ending** **9/30/2020** | **FIVE YEARS Ending** **9/30/2020** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Corporate Bond |  |  |  |  |
|  Long | 1.9% | 10.5% | 8.7% | 9.2% |
|  Intermediate | 0.9% | 6.7% | 4.9% | 3.9% |
|  Short | 1.0% | 3.3% | 2.8% | 2.4% |
| Government Bond |  |  |  |  |
|  Long  | 0.0% | 15.7% | 11.8% | 8.0% |
|  Intermediate | 0.2% | 5.5% | 3.9% | 2.7% |
|  Short | 0.2% | 3.3% | 2.4% | 1.6% |
| Municipal Bond |  |  |  |  |
|  Long  | 1.5% | 2.9% | 4.0% | 3.8% |
|  Intermediate | 1.3% | 3.1% | 3.5% | 3.2% |
|  Short | 0.7% | 2.2% | 1.9% | 1.6% |

**Market Outlook**

Last quarter we wrote that the market outlook depends a lot on Covid-19. It still does. Lots of progress has been made developing therapeutics and vaccines but Covid-19 seems to be on the rise again. The usual market suspects for volatility (employment, the Fed, China) are still significant as well, of course. But Covid-19 and stopping it is the key.

As a result of these factors and the November election, we continue to be very cautious. We do not recommend any new equity investments at this time. Short and intermediate term bonds continue to look promising. Having said this, clients in or approaching retirement or generally or who are more conservative may want to consider lowering their investments in equity funds and increase their allocation to bonds.

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 **10/16/2020**

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