



September 2020

Economic Update and The Markets

After a sharp decline in Gross Domestic Product in the second quarter of 2020, (down approximately 33%), a significant recovery projected to be about 25% followed in the third quarter. Many industries have been strong throughout the year: technology, healthcare, big-box stores (e.g., Costco, Walmart, etc.), while others have been significantly impacted and have needed more assistance to recover. These include airlines, hospitality, and energy. The equity markets are bifurcated as well and have followed the economic cycle this year – the sharp drop from when the economy shutdown started in March and the recovery as the economy has begun to approve. We have also recovered approximately half the jobs lost during the COVID shutdowns. The American economy might best be described as having a K-shaped recovery. The graphic below, provided by Raymond James analysts, describes the recovery “under the hood”. It helps to illustrate that different parts of the economy may recover at a different rate and magnitude than other areas. Some sectors, like technology, have strongly benefitted from the current environment and others have had more of a V-shaped recovery with a sharp downturn and then a strong bounce back (i.e. homebuilding, home improvement, and retail). Other areas are trying to recover, but it may take a while (i.e., restaurants). In addition, some parts of the economy may continue to struggle (i.e., energy).

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FINANCIAL MARKET UPDATE*

Year-to-date change as of 9/30/20

- S&P 500 Index..... 5.6%
- Bloomberg Commodity Index.....-12.1%
- MSCI EAFE \$\$ (International).....-7.1%
- Barclay US Aggregate Bond... .. 6.8%

THE ECONOMIC ROADMAP UNDER THE SURFACE

- Internet & Direct Marketing Retail
- Technology Hardware, Storage & Peripherals
- Air Freight & Couriers
- Wireless Telecommunication Services
- Application Software
- Interactive Home Entertainment
- Household Products

-3.3%
2020 GDP Target

+2.7%
2021 GDP Target

- Oil & Gas Equipment & Services
- Oil & Gas Exploration & Production
- Integrated Oil & Gas
- Hotel & Resort REITs
- Retail REITs



- Homebuilding
- Computer & Electronics Retail
- Home Improvement Retail
- Internet Services & Infrastructure
- Building Products
- Financial Exchanges & Data
- Biotech
- Medical Supplies

- Restaurants
- Automobile Manufacturers
- Apparel, Accessories & Luxury Products
- Diversified Banks
- Hotels, Resorts & Cruise Lines
- Airlines

High Frequency, Real-Time Indicators



Source: Bloomberg, FactSet, Raymond James Investment Strategy estimates

15

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Economic stimulus to further aid recovery is likely, but the timing and the form is unknown. The stimulus is anticipated to be a positive for the markets – whether it is before or after the election. In addition, we'll need to continue to monitor the COVID-19 situation as we approach the winter months along with the progress towards an effective vaccine.

Election Implications

In earlier newsletters, we referred to historical market returns during different administrations. There have been some misconceptions around this. Historically, the party in the white house doesn't drive equity market results on average. The chart below illustrates market performance during all the presidential terms since 1945. As you can see, there is generally positive annualized performance for both democratic and republican presidents.

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ANNUALIZED PERFORMANCE BY PRESIDENT



36

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Some predict that a Biden win would mean a larger stimulus bill, which could be beneficial to markets. Others argue that his proposed tax increases for those making over \$400,000 would slow growth and be a negative. Historically, the year after elections are generally positive for the market. The likelihood that the election results will not be known on November 3rd could lead to volatility, but it will likely be short lived. Fiscal policy, taxes, and the future economy trajectory are more important, especially if the administration is balanced between Congress and the presidency.

Year-End Planning

There are numerous tax proposals that have been presented if Biden should win the election. What is implemented, of course, depends on Congress. Two key proposals to consider in 2020 are:

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3

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- A proposal to decrease the estate tax exemption from the current rate of \$11.58M per person to \$5.79M per person or \$23.16M per couple to \$11.58M per couple.
- ✓ We recommend that clients with estates valued over \$6M for individuals or \$12M for married couples, speak to their tax advisor as to what, if any, strategies would make sense to consider for this year.
- Tax brackets would likely go up for those making over \$400k per year, and there may also be a change in treatment of capital gains and dividends, as well as the elimination of some deductions.
- ✓ Talk to your tax consultant about potentially accelerating income and deductions in 2020, if you may be affected.

Welcome MaryAnn White to the SWMG Team

We had the great pleasure of adding MaryAnn White to our team as a registered client service



representative and 401(k) project manager. She will be working closely with Jason Guenther, (financial advisor, RJFS), in support of his clients and will be partnering with Jill Carr, (financial advisor, RJFS), and Sherri Stephens, (President SWMG, financial advisor, RJFS), to support all 401(k) - business clientele. In addition to her great attention to detail and service orientation, MaryAnn brings us exceptional marketing and

communication skills. She and her husband recently moved to Fenton, MI from California. For more information about MaryAnn, you can read her extended bio on our website:

<https://www.stephenswmg.com/our-service-team.htm>

Office Renovation Update

The final touches are being put on the office, and we intend to be open by the end of October. Our updated office has three conference rooms, a comfortable reception area with a beverage center for clients, as well as updated lighting, furniture, and technology. We also

updated our HVAC system with high efficiency filtration. That means it captures ultrafine particles, including airborne contaminants such as small and large bacteria, dust mites, smoke, and more. If you intend to come into the office for a meeting, please be aware that we will go through a health questionnaire with you one day in advance, take your temperature upon arrival, and ask that you wear a mask.

Community Involvement

In early September, Jennie Bauder (Client Service Representative), put together a fund raiser to support the Shelter of Flint. Team members contributed to the gift of several baskets with sheet sets, toilet paper, cleaning products, towels, and more.



Stay safe, healthy, and let us know how we can help you.

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