TINGEY ADVISORS
REGISTERED INVESTMENT ADVISORS

Fall 2020 Newsletter www.tingeyadvisors.com 801-352-8166

Benchmarks

	30 Sept 2020	30 June 2020	30 Sept 2019
S&P 500	3,363	3,100	2,977
DJIA	27,782	25,813	26,917
NASDAQ	11,168	10,059	7,999
6-mo US Treasury Yield	0.11%	0.18%	1.83%
30-yr US Treasury Yield	1.46%	1.41%	2.12%
Prime Rate	3.25%	3.25%	5.00%
Federal Funds Target Rate	0.00%	0.00%	2.00%
30yr Mortgage	3.03%	3.30%	3.89%
Gold – per oz	$1,888	$1,793	$1,466
Oil - WTI / bbl	$40	$39	$54

Sources for Newsletter: WSJ, Barron's, Bloomberg, NBER, Blackrock, US Treasury, McKinsey & Co., Bankrate

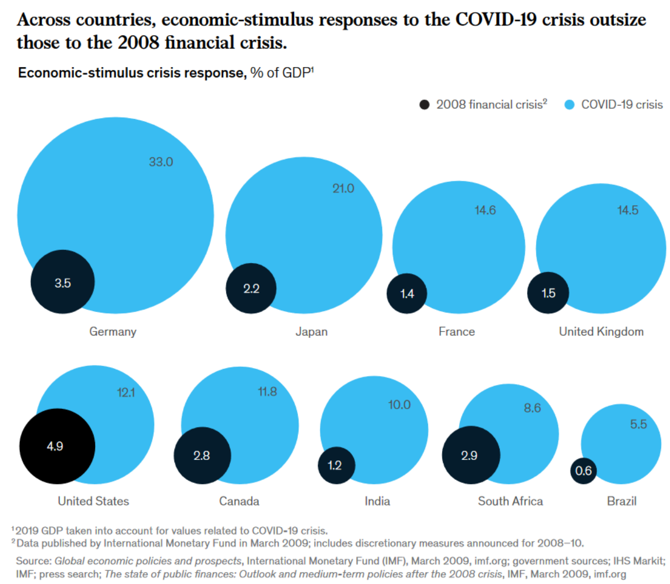
Resilience…

Six months ago, the country was peering into the coronavirus abyss. It was a given that the public health restrictions caused by the pandemic would usher in severe economic contraction. However, the debate that was less certain centered on what kind of economic recovery would be experienced. Would the economy recover quickly in 'V' shaped fashion, or would this take years of grinding to get us back to the robust economy we were experiencing in February?

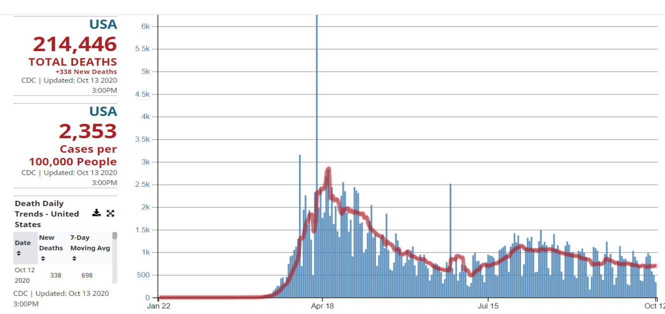
Now, looking back, it is quite remarkable how far the economy has recovered. Economic statistics have continued to improve and while overall economic activity is still well below pre-pandemic levels, the improving trends in retail sales, consumer confidence, job creation, inflation, services, and manufacturing industry expansion are not in question. We are certainly not calling victory at this point as there is much that still needs to mend. However, the trend and pace of recovery is a tribute to the strength of the U.S. economy.

The resilience of the U.S. economy is not without a lot of help. The pandemic ushered in historic monetary and fiscal support by the U.S. government – and we are not done. Staring down the guillotine has a way of focusing one's mind. Such was the case in the spring where we were living in a locked down world watching virus hotspot flares in New York, Italy, Spain, and other locals. In this urgent and uncertain environment, the US Congress was working together (imagine that) to provide consumers and businesses financial support to the ravages of shutting down the economy. The resulting CARES Act and PPP were designed to keep consumer and business's alike afloat through the shutdown and keep a link between job-providers and jobseekers.

Other countries around the world reacted in similar fashion and the resultant government spending globally is roughly valued at $10 Trillion, with the U.S. having spent 2 times more on the corona virus pandemic than the amount of fiscal response to the Great Recession of 2008 according to McKinsey and Company.



Resilience has not only been seen in the economy and stock market but also in the medical and public health community. Healthcare workers have learned much about the virus and treatments have improved such that while the expected autumn rise in corona virus cases has materialized, the death rate from those increased cases has stayed level. Of course, public health policies to remediate the impact of the coronavirus were designed to protect public health but were detrimental to economic health in the short run. Yet, our view is that success in the public health arena leads to long run economic success.



Vaccine and antiviral therapies have made great progress with four separate vaccines in phase III trials a mere nine months since the virus genome was received. It is nothing short of wildly impressive what the medical community has been able to achieve.

We do not know, nor do we think anyone knows with certainty how long it will take to reclaim the strong pre-pandemic economic condition. However, we do know that the toll on the country's collective health has been great. The challenge for the country is to find a way forward, incorporating prudent health strategies while moving the economy forward. Otherwise, the economic devastation will turn into spiraling bankruptcies, increased poverty, homelessness, mental and other physical health issues. The economy needs to reopen in a manner that will allow the health care system to be as effective as possible, balancing the needs for public health with economic stability.

Stocks:

U.S. stocks turned in a second consecutive quarter of dramatic gains, continuing a stock market recovery that few predicted in the spring. The S&P 500 and the Nasdaq Composite hit records in the third quarter, confounding many investors with its sheer velocity and strength. Despite a pullback in September the S&P 500 and Dow Jones Industrial Average gained 8.5 percent and 7.6 percent, respectively. The third quarter advance was on the heels of a strong second quarter, which combined account for the strongest two quarter return since 2009. Both indexes are up more than 26 percent since the end of March. The NASDAQ Composite surged 11 percent in the third quarter and is up a robust 45 percent since the end of March.

The market is now balancing the impact and uncertainty of the pandemic with the uncertainties brought on by a contentious presidential election cycle. The outcome of the final balance of power in Washington is uncertain. The occupant of the White House and the party that controls the Senate is still uncertain, yet, the stock market has a way of digesting the political changes each cycle. The market goes up under Republican and Democratic administrations and it can go down under both and we are monitoring those political developments closely to determine if we need to adjust portfolios. The stock market is always interested in whether governmental actions are enhancing or restricting economic growth at the margin. However, the market ultimately makes decisions on the core engine of the economy which is showing impressive resilience.

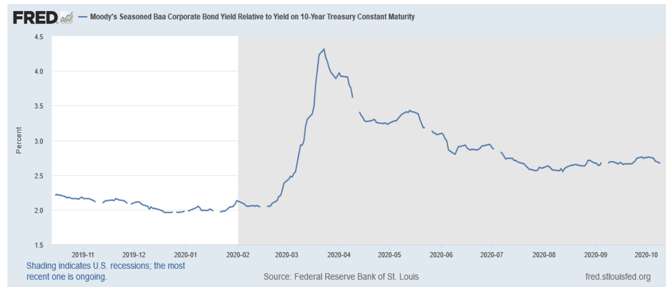
Commodities:

Gold continued its rise hitting a high in August before falling back. The precious metal rose 5.3 percent in the third quarter and is on track for a robust year. The price would have to increase an additional 43 percent from quarter end levels to reach the all-time high of $2,800 per ounce peak last seen in 1980. Oil has rebounded from the dramatically wild oil market chaos seen in the second quarter. Crude oil finished the quarter at $40 per barrel for west Texas intermediate crude.

Bonds / Interest Rates:

The Federal Reserve's "do whatever it takes" attitude continued throughout the third quarter. Federal Reserve Chairman Jay Powell has said repeatedly that he will keep interest rates lower for longer. During the third quarter, the Fed Chair announced a more emphatic strategy, wherein the Federal Reserve will change the way it reacts to changes in the rate of inflation. Whereas, the Fed has viewed a 2 percent inflation rate as the target "speed limit", now the Fed will let inflation go above the target. Specifically, Chairman Powell indicated that in economic environments where inflation is below the target and interest rates are essentially zero, they will abandon their prior approach of raising rates preemptively, before inflation reaches 2 percent.

The Treasury market yields remained flat throughout the quarter with short term yields and long term yields only changing slightly and the Treasury yield curve steepened just marginally. Interestingly, and importantly the spread between guaranteed U.S. Treasury 10-year notes and non-guaranteed Baa-rated corporate 10-year notes remained stable.



In Summary

We are experiencing one of the most dramatic and traumatic years in our memory. The coronavirus pandemic induced changes to our lifestyle; public racial protests, rioting, economic uncertainty, stock market volatility and oh yeah, a contentious presidential election. <u>Yet what remains underlying all the tumult is a resilient economy and capital market because of ingenuity and grit of the underlying citizenry</u>. In the face of so much uncertainty, science moves steadily forward. On this score there has been unambiguous progress. Antiviral therapies that lessen the severity and duration of the disease; public health mandates to slow the spread of the virus; standards of care that are improving patient outcomes and of course breakneck pace of vaccine development that gives investors' confidence.

The virus is advancing and even spiking in some areas but quietly science is moving faster. We have learned a lot about the disease, and we are making significant progress as shown by the moderate fatality rate in the face of spiking new cases. Citizens should do things to slow the spread, but science is bold, impressive, determined and on track.

Concern for the health of our loved ones is on the top of our minds, but we also realize that we cannot go on in "shutdown mode" forever. We rely on governments, corporations, churches, civic groups, individuals, and neighbors to do the right thing. And we pray each night for the heroes in each medical facility or laboratory who carry us through this. Hardship makes us stronger and we know that we will get through this challenge.

<u>We pray for you and your family's health and safety.</u> We also pray that we will emerge from this with a greater commitment to each other, and to the principles that make this country great.

<u>Our investment strategies change with market conditions, but our principles do not</u>. Our long-term optimism remains intact. We recognize that during complex market times, communication is important. <u>It is a privilege working for you</u>. We appreciate your confidence in us, especially during uncertain times.