

The Markets & the Economy - What We're Watching

Top Theme of the Week:

- › Mixed headlines and general uncertainty creating volatility in the markets

There is no shortage of news on the impact the coronavirus has had on the markets and the economy, the health of our people and more – some encouraging news, and other news discouraging. The yo-yo of uncertainty continues, and as a result volatility is quite prevalent in our markets. Here is a look at some recent conflicting events impacting market performance.¹

ENCOURAGING	DISCOURAGING
House passed \$2.2T stimulus package...	...but approval from the Senate still remains
Weekly initial jobless claims at 837,000 in the week ending September 26, below prior week of 873,000. Continuing claims for the week ending September 19 were lower at 11.767M vs the prior week at 12.747M.	Final jobs report before the November election reported nonfarm payroll job growth slowed, 661,000 jobs added in September vs 1.4M added in August revealing the economic downturn continues to take its toll on businesses of all sizes. ²
Expansion in the economy for the fifth month since contraction in April. New manufacturing orders up ticked while output (fastest in ten months) and employment (second fastest since November 19) growth increased sharply and recovery in the auto market. General Motors, Fiat Chrysler, and Toyota all reported better than expected results.	Tens of thousands of job cuts announced by blue-chip companies in the past few days is a warning sign for the global economic recovery
Capital positions of big banks remained strong during Q3 and banks have been more upbeat on asset quality	Fed announced Wednesday that none of the 33 banks with more than \$100B of assets would be allowed to resume share repurchases in Q4 and that it would maintain a cap on dividend payments
Pfizer expanding enrollment of phase 3 Covid-19 vaccine trial hoping to have a rollout of the vaccine by the end of the year	The Moderna vaccine candidate will not be able to apply to the FDA for emergency use authorization until at least late November and it is not expected to have full approval until next spring
European regulators are accelerating the review of the coronavirus vaccine candidate from AstraZeneca and the University of Oxford	FDA has broadened its investigation of a serious illness in this same AstraZeneca vaccine trial. This means further delays are likely in one of the most advanced candidates.

¹ Data in table sourced by FactSet

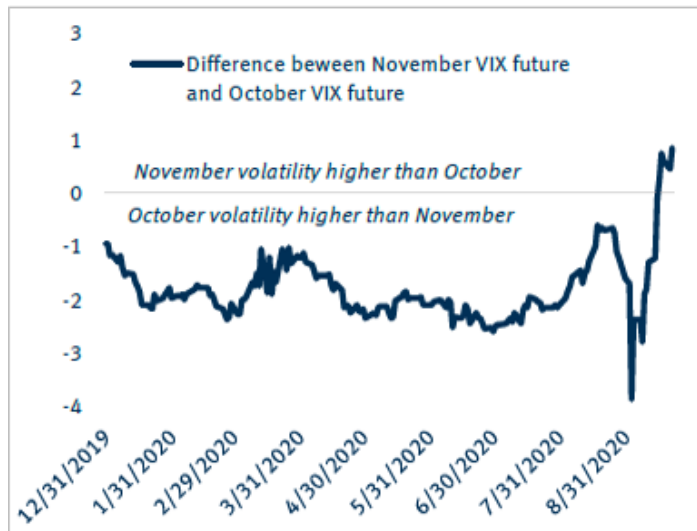
² CNN Business

With all of these forces pulling in different directions, it is no wonder volatility has increased in the markets.

Click [HERE](#) to watch Rachael Aiken, CFP® IMG's VP and Portfolio Manager on CNBC discussing how the uncertainty of the upcoming election can effect investment portfolios, but how we remain focused on the fundamentals.

Now we are headed into October which is typically the most volatile month of the year as seen in the *Monthly Volatility* chart on the left.³ Furthermore, the markets are expecting more volatility in November than October this year, as seen in the *November VIX Future Minus October VIX Future* chart on the right, mostly because of the election and continuing COVID concerns.⁴ This uncertainty is why we maintain a diversified portfolio for our clients to reduce volatility and to ensure we are protecting portfolios on the downside.

Month	VIX Index	S&P 500 Standard Deviation
January	19.2	14.9
February	19.5	15.4
March	20.2	17.6
April	18.9	16.2
May	18.3	14.4
June	18.4	14.3
July	17.8	14.7
August	19.2	15.6
September	20.4	16.1
October	21.5	18.2
November	20.3	16.4
December	19.3	14.8



For questions or more information, please contact your local IMG professional. For additional insights from IMG experts, please visit our new website's [Stock Market Insights](#) page and follow us on [LinkedIn](#).

Commentary is reflective as of the close Thursday, October 01, 2020.

³ Image Source: Stifel Investment Strategy via Bloomberg, as of September 22, 2020. Based on daily data for the last 30 years.

⁴ Image Source: Stifel Investment Strategy via Bloomberg, as of September 22, 2020

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