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VOLATILITY TO REMAIN THROUGH THE ELECTION

Early signs of underlying market stress began shortly after the end of a heady August, just as markets were cresting on the euphoria of new all-time highs.

First, it was revealed by the Financial Times that an incessant, yet small, consortium of buyers in a group of highly recognizable tech names (primarily, Amazon, Facebook, Microsoft, Google, Netflix, Apple and Tesla) were running circles around the rest of the market. It turned out that an arm of the Japanese bank Softbank, The Vision Fund, was buying billions of dollars in equity derivatives which created an excessive amount of leverage and the investing community was more than willing to follow suit by chasing their stock prices even higher. It looked like a dream with the majority of the economy still in a recession. Later, it was revealed that insider corporate selling from data collected from over a thousand CEOs, Corporate Directors and CFOs that they had begun engaging in the highest level of selling in the last five years! And why wouldn't they sell – their stock prices had soared on the backs of a combined $6 trillion of Federal Reserve and government stimulus while their individual corporation commonly saw little-to-no profits. A gift for sure, as well as a curse for smaller investors who were left holding the bag yet again.

On Saturday's radio show (http://summitplan.com/audio/summit-planning-09-19-20.mp3) we discussed the hows and whys of what is causing major U.S. markets to continue their multi-week slide.

In early September, just as the euphoria in a handful of growth stocks was peaking, those once thought impermeable tech darlings suffered their worst multi-day decline since early June. Tesla experienced a 21% drop on September 8th, which represented the biggest single day loss in its history! iPhone titan Apple fell an outsized 7.4% that week and is now down 17% from its very recent high on September 1st! We discussed the "FANGMANTIS" stocks https://wolfstreet.com/2020/09/11/wild-ride-of-fangmantis-stocks-v-rest-of-market/ which represent the ten stocks that have accounted for the majority of all of the stock market gains this year. When ten stocks outperform while the majority of the roughly 3,400 remaining publicly traded stocks struggle, it should always give investors a moment to pause, reclarify risk, and gauge opportunity.

Even with the FANGMANTIS rally, there have been no returns in the highly touted S&P 500 since January 13th of this year! In order to claw back to even, investors had to watch a large portion of their portfolio fall up to 34% in a month's time back in late February and March.

Without a solid foundation of corporate profits, it won't take much to send this stock market train off its tracks. For measure, just look at this Monday morning's action as the Dow Jones Industrial Average dropped an exceedingly quick 800 points on a "leaked" report about the global money center banks' abhorrent lack of due diligence, as more than $2 trillion in money laundering has taken place since 1999 which is an issue we've reported on dozens of times); a spike in Covid-19 cases creating worries of lockdown fears; and the untimely death of Supreme Court Judge Ruth Bader Ginsburg and her possible replacement prior to the election.

Currently, a multitude of possible outcomes are vying for attention prior to jumping into the fray.

Consider these points:

- Congress is back in session to reveal a forthcoming stimulus package. Typically, the only bi-partisanship act Congress can muster is the ability to spend increasingly more! Will this time be different especially with the economy just starting to heal? At stake is more checks needed to inspire economic growth; some type of continuation (even if its 50% lower of the Federal unemployment insurance (the extra $600 people were getting), and possibly more loan programs/bailouts to stave off mass middle management layoffs in the fall.
- Presidential election: The initial response from the markets in the summer was that it didn't matter who won the election as both candidates would embark on large deficit-driven spending initiatives. Now we have graduated to a whole new paradigm - how will markets respond if there is no clear winner on election night? In this case, the growing uncertainty of this outcome will become increasingly worrisome.
- Will there be an effective Covid-19 vaccine by year end? While this could be the "miracle" cure that the populace, the economy, and the stock market could all celebrate on – what are the chances of it happening?
- Can rampant corporate and governmental borrowing go unnoticed by investors and ratings agencies forever as profits and tax collections face challenges?
- Can the Federal Reserve move markets with promises of more monetary favors to aid a stock market already in nosebleed territory? Just this week alone, the biggest news on the economic calendar isn't even economic – it's the fact the eleven Federal Reserve speeches will again tempt momentum traders back into buying over priced stocks.

For us, it's always a flexible and highly selective portfolio where risk management and vigilance matters. For money managers like Summit Planning Group, the coming volatility creates more opportunity to enhance our portfolio. Over the past three weeks it was the high-density industries – the ones that actually make stuff – that lost little compared to the tech front runners. In the key bond portion of our portfolios, we have been shortening the duration while keeping quality high. Even though interest rates have been largely rangebound, there has been more than a whiff of inflation in the last three months based on the Consumer Price Index and various manufacturing indexes.

With the economy split between "work from home" internet technology advances, leveraged buying in just a handful of tech names beginning to back off, and reality checks in other areas like airlines, cruise ships, hotels, commercial real estate, in person retail, restaurants, and tourist dependent destinations – its easy to see that we've made major strides post lockdown but still have a ways to go.

As always, we will continue posting articles that we believe to be of great informational value on our website, under the "Great Articles" tab, which is linked here:

http://summitplan.com/cgi-bin/htmlos.cgi/great_articles.html.

Additionally, the "Summit Planning Financial Hour" will be live this week on Radio 570-WSYR at 10AM on Saturday. Don't forget to tune in for a recap of the week's events. If you cannot tune in, check out our radio show archive on our website at http://summitplan.com/cgi-bin/htmlos.cgi/radio_shows.html.

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