

"I wasn't a great communicator, but I communicated great things." – Ronald Reagan. With the U.S. elections nearing, this week's equity markets ended unscathed with the S&P 500 index returning 3.8% despite a week of rapid-fire news - from President Trump's coronavirus infection to stimulus-on and stimulus-off. The markets gained on the heels of post-pandemic economic growth communicated by ISM, manufacturing indexes and modest improvement in initial jobless gains. In addition, Fed Chairman Jerome Powell encouraged Congress to unite and provide more monetary and fiscal stimulus because the recovery still has a long way to go.

A glimpse into 2021 and the economy will be informed by the upcoming corporate earnings guidance being released in the weeks ahead. Combined with the outcome of the Presidency and the party that holds majority control of the U.S. Senate, the state of uncertainty will be less uncertain. Recovery of the U.S. economy will require more than a stimulus. "All great change in America begins at the dinner table" – Ronald Reagan 1989.

Our tactical model remains in positive territory (100% long) as the broad economic measures continue to improve. Early indications of an improving economy are when small-cap stocks outperform large-cap stocks. Month-to-date small-cap stocks returned 8.6% versus large-cap stocks returning 3.8%.

MONDAY OCTOBER 12, 2020
Columbus Day. Equity markets will be open but bond markets will be closed.
TUESDAY OCTOBER 13, 2020
CPI
China Trade Balance
Financial earnings (Blackrock, JP Morgan, Citigroup and Charles Schwab)
Johnson & Johnson earnings
WEDNESDAY OCTOBER 14, 2020
Producer Price Index
United Airlines earnings
Financial earnings (Goldman Sachs, Wells Fargo and Bank of America)
THURSDAY OCTOBER 15, 2020
Initial Jobless claims (weekly)
Continuing Jobless claims (weekly)
Honeywell earnings
Morgan Stanley earnings
FRIDAY OCTOBER 16, 2020
Industrial Production Index
Consumer Sentiment Index
Business Inventories
Ally Financial earnings
Bank of NY earnings
State Street earnings

GAUGE OF THE GRADE

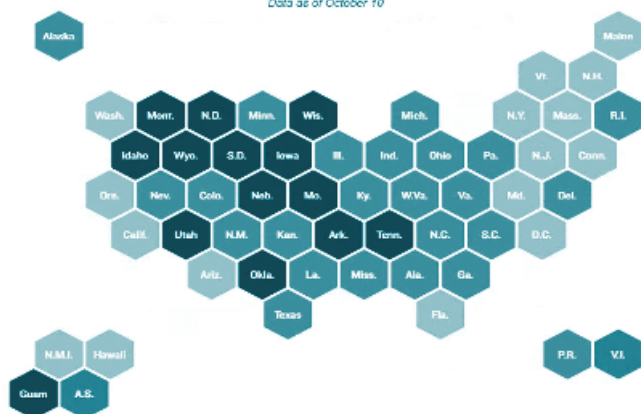
BEARISH

NEUTRAL

BULLISH

Which Places Have The Most New Daily Cases?

Data as of October 10



Source: NPR

RED	ORANGE
Threshold: 25+ daily new cases per 100,000 people	Threshold: 10-24 daily new cases per 100,000 people
Indicates: unchecked community spread	Indicates: escalating community spread
YELLOW	GREEN
Threshold: 1-9 daily new cases per 100,000 people	Threshold: <1 daily new cases per 100,000 people
Indicates: potential community spread	Indicates: close to containment

With the world suffering from over 37 million coronavirus cases and close to 1.1 million deaths, there is looming concerns of cases rising going into the fall season and how it may shape the outcome of the election. The adjacent heatmap shows the latest cases by state and the risk of infection in each state based on new daily cases per capita (Red signifies rising cases and Green signifies close to containment).

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	YTD	12 MONTHS
Basic Materials	5.27	2.54	16.29	6.14	17.93
Communication Services	2.39	0.68	8.11	10.33	15.97
Consumer Cyclical	3.60	5.41	19.70	32.04	43.80
Consumer Defensive	3.00	2.32	12.54	7.43	11.83
Energy	5.25	(6.75)	(9.55)	(47.88)	(42.49)
Financial Services	3.80	2.17	11.42	(11.64)	(0.57)
Healthcare	4.59	4.32	7.92	9.36	27.11
Industrials	4.17	4.68	19.28	(1.65)	7.50
Real Estate	1.30	1.95	6.99	(10.08)	(10.08)
Technology	5.19	4.77	11.56	33.02	52.81
Utilities	4.54	6.65	11.01	(3.85)	(3.54)



SOWELL'S WEEK AHEAD

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