# September 30, 2020
# Economic Update

## Financial Market Update

Global Markets continued their rebound from the selloff in March with strong performance in July and August. Markets were driven higher over the summer months as areas of the economy continued to recover and on the back of talks for additional fiscal stimulus for the economy. Volatility returned in September as technology stocks, which had been a driving force in the market rally, gave up some of their gains. Additionally, progress stalled on further stimulus and the odds of an uncertain US Presidential Election outcome grew. Emerging Markets were the top-performing asset class for the quarter, with a strong recovery in China driving performance in this area. US Equities and Developed International Equities also posted robust performance during the quarter.

Entering the final three months of 2020, uncertainty remains at the forefront. The potential for an unknown outcome on election night, an unclear path forward on additional governmental fiscal support, and the virus's continued impact will likely lead to higher short-term volatility.

| Asset Class | 3rd Quarter Returns |
|---|---|
| Core Bonds | 0.5% |
| Non-Core Bonds | 2.8% |
| US Large Cap | 8.9% |
| US Mid Cap | 4.8% |
| US Small Cap | 3.2% |
| Developed International | 4.8% |
| Emerging Markets | 9.6% |
| Infrastructure | 1.4% |
| Real Estate | 1.3% |

## Economic Stimulus Response

The Federal Reserve has continued to provide support to markets through the programs it implemented in March and beyond. At their September meeting, they gave guidance indicating that interest rates could stay anchored near zero through 2023, continuing their unprecedented support. Fed Chair Jerome Powell has said on numerous occasions that the US Economy needs additional support. However, on the fiscal side, Congress has remained at a stalemate since late-July on additional stimulus measures for the economy. Democrats are pushing for a larger spending package, and Republicans favor a trimmed-down, more targeted relief package.

## Employment

The unemployment rate has continued to improve from its high of 14.7% seen in April. After finishing the 2nd quarter at 11.1%, the rate fell to 7.9% by the end of September. However, momentum in the job market has begun to slow and job gains undershot expectations with the latest reading. Last month also saw an increase in job losses with a coinciding decrease in labor force participation. We continue to monitor these measures as further progress in the job market may be hard to come by without additional government stimulus.

## US Economy

The reading for 2nd quarter GDP came out in July and was historically poor, as many industry experts expected, with the economy's output falling at an annualized rate of 31.4%. Expectations are for historic growth in the 2nd half of the year, and we will get our first look at this with the 3rd quarter reading in late October. Many forecasters expect that the US economy contracted between 3.5% and 4.0% for the full year.

## Looking Out

- The US Presidential election will take place on Tuesday, November 3rd. It is possible due to the higher numbers of voters using mail-in-voting that we may not know the winner on election night or for a period of time which could lead to elevated levels of market volatility.
- With the turn to the Fall months, states will be closely watching their COVID-19 cases and if cases rise sharply, could re-implement restrictive measures which may slow economic growth.

Our team is meeting regularly and monitoring this evolving environment closely. If you have any questions or concerns please don't hesitate to contact us.