

October
2020



Election Season

The third quarter of 2020 brought mixed economic news as the world continues to grapple with the effects of the pandemic. Meanwhile, the stock market seemed to shrug off all concerns. After just 126 trading days since the market bottomed in March, the S&P 500 closed at an all-time high on Aug 18. The index attained another record high just two weeks later in early September before stepping back to end the quarter below the peak, but still well above its starting point. Other sectors of the market (international stocks, small companies, etc.) trended upward as well, though at a slower pace.

As the upcoming U.S. election nears, it can be interesting to view past results in relation to the stock market. In 20 of the last 23 presidential elections since 1936, if the S&P 500 is up in the three months prior to Election Day, then the incumbent party has won. We have another month to go, but at the moment this favors Republicans. However, only once since 1912 has a president been reelected if he oversaw a recession within two years of the election, pointing to a potential Democrat victory.

One thing that has consistently remained true is that election season heightens people's feelings of fear and uncertainty. Historically, this has led to investors seeking safety and money market inflows that are three times higher than in non-election years. Despite those movements, stocks have had negative returns in only two of the last 20 election years (2000 & 2008), and both of those declines were largely attributed to asset price bubbles rather than politics. Attempting to time the markets based on expected political outcomes has proven extremely difficult and rarely fruitful.

Regardless of which party ultimately gains the White House, markets have trended upward. Since 1933, the highest annual returns have occurred under a split congress, followed closely by unified government. The lowest returns occurred when there was a unified Congress and a President from the other party. Based on current polling data, the election is likely to result in one of the first two scenarios.

Despite the potential near-term political concerns, capital markets remain our best hope for returns for the foreseeable future. Fixed rates that had finally edged up in 2019 are now locked at near-zero, and the Federal Reserve has indicated that this is unlikely to change for some time. Those low rates are tough on savers, but remain a boon to borrowers, including businesses that can hopefully use the cheap capital to expand and grow. Progress on a Covid-19 vaccine appears promising and could see broad distribution by mid-2021, potentially unleashing a wave of pent-up consumer spending and aiding the economic recovery.

As always, please let us know of any questions or concerns. We are available to meet in-person, via Zoom, or on the phone.

The Pratt Wealth Management Team

Market Update

A quick glimpse at the market for the third quarter and year of 2020:

	Q3	YTD
DOW	+8.22%	-0.91%
NASDAQ	+11.24%	+25.33%
S&P 500	+8.93%	+5.57%
MSCI EAFE	+4.80%	-7.09%
Barclays Agg	+0.62%	+6.79%

RMD Reminder

Due to the CARES Act, Required Minimum Distributions from IRAs and retirement plans are suspended for the 2020 calendar year. Distributions can still be made, if desired, but are not required.

Charitable Distributions

Though RMDs are not required, Qualified Charitable Distributions are still allowed in 2020. If you are over age 70 ½ and plan on making charitable donations this year, it could be advantageous to do so directly from an IRA.

Connect With Us On Social Media

 @prattwealth

 @prattwealthmn

Visit us at:
www.prattwealth.com

connect@prattwm.com
507.388.0770

Main Office
1651 Commerce Dr
North Mankato, MN 56003

Metro Office
2315 Waters Drive
Mendota Heights, MN 55120

Statements regarding stock market returns refer to the S&P 500 index and bond index returns refer to Barclays Aggregate Index.

S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East.

DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange
Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.