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**BRAZIER, HINZ**  
& ASSOCIATES  
Financial Planning\* For The Second Half Of Life

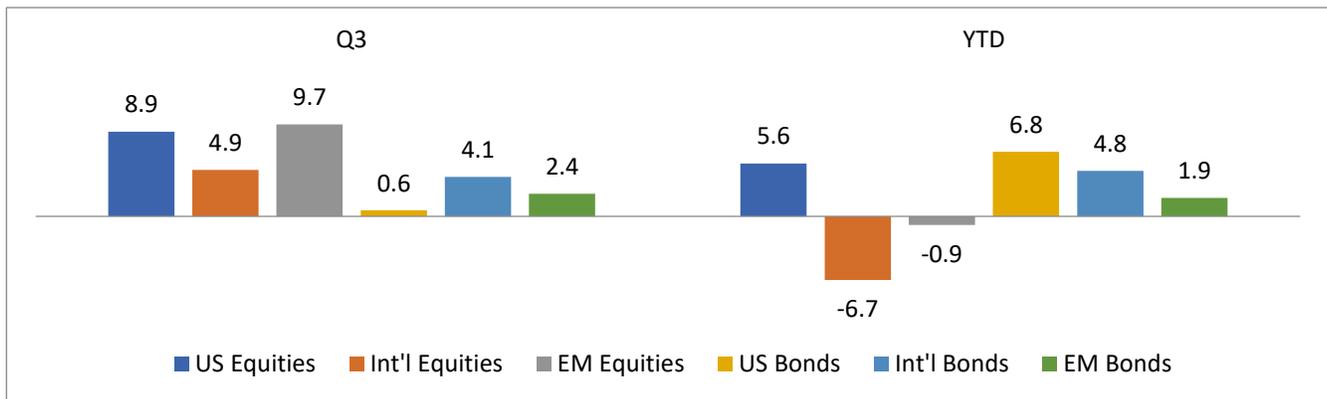
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October 23<sup>rd</sup>, 2020

Dear Clients,

Stocks recorded a quarter of strong gains, helping push the S&P 500 Index and the Nasdaq Composite Index to record highs in late August. Large-caps and growth stocks outperformed their small-cap and value counterparts by a large margin. Materials, industrials and technology shares were the best performing with energy underperforming, probably due to oil prices remaining stubbornly low on both production and demand. Bonds also recorded solid overall returns in the quarter.<sup>1</sup>



A faster rebound in the economy than many had expected seemed to play a key role in driving markets higher during the third quarter. In July, the Labor Department reported that employers had added a record 4.8 million jobs in June and another 3.1 million over the next two months. Weekly jobless claims also fell steadily throughout most of July and August, although progress seemed to stall in September.<sup>2</sup> Manufacturing signals were generally strong, as firms sought to replenish inventories depleted in the spring. The much larger services sector also began to expand again in June, although restaurants, airlines and other industries continued to struggle with COVID restrictions and cautious consumers. The housing sector was a standout, with monthly existing home sales hitting record high, while sales of new homes reached their highest level since 2006.

The bounce in economic activity was widely attributed in part to the record federal stimulus put in place in March and April, leaving many investors to worry about how the recovery would progress as the fiscal impact began to fade. Negotiations continued in Washington DC over the size and breadth of a new round of stimulus, but markets wavered as no deal

1. Source: Morningstar Quarterly Markets Summary: 7 Charts on Q3 Stock and Bond Markets
2. Chart: Assetmark Q3 2020 Market Review
3. Source: Bureau of Labor Statistics; [bls.gov/news.release/pdf/empisit.pdf](https://bls.gov/news.release/pdf/empisit.pdf)

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appeared imminent by the end of the quarter. Extended unemployment benefits of \$600 per week expired on July 31, and the Payroll Protection Program, which extended loans to small businesses to maintain payrolls, stopped accepting applications on August 8<sup>th</sup>.

### **Pandemic Remains in Focus**

Covid news seemed to drive markets throughout the quarter. Investors took a renewed rise in US infections in July largely in stride, but fears in September of a possible “second wave” and its potential impact to a second closing of the economy seemed to elicit more concern. Then markets seemed to get a boost from reports of progress in developing vaccines and treatments. By the end of the quarter, 11 vaccine candidates had moved into the final stage of trials in the US and Europe, and hopes grew that the initial distribution could begin as early as the end of the year.

### **US Presidential Election**

The US presidential election is adding to market uncertainty. Democrats and Republicans have substantially different economic policy plans, so depending on the outcome, the tax and regulatory environment could be very different for the overall economy and for key sectors like energy, healthcare, finance and technology. Those areas that are exhibiting bipartisan support include continued fiscal support for the economy, a long-awaited infrastructure bill and the protection of intellectual property. In addition, both sides are supporting bringing manufacturing back to the United States. The COVID pandemic has exposed many weaknesses in global supply chains, specifically within the health care sector. This year can best be described as unpredictable. The COVID virus has changed the economy, business, work, school and our lives in ways we never envisioned just nine months ago.

Thank you for the trust you have placed in us and we will continue to work hard to navigate the challenges and opportunities on your behalf. We look forward to discussion your evolving financial goals, as well as reviewing the mixture of asset allocation approaches within your portfolio, as we seek to keep your investment plan aligned with your needs.

Sincerely,

**Kadi F. Hinz**  
Financial Planner\*, MSFA