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During the month of October, we have seen the intersection of surging CoVid-19 cases around the world and policy uncertainty due to the U.S. election cycle result in a notable risk in market volatility. This past week is on track to be one of the most challenging for the stock market since March 2020. As is usually the case, and certainly was the case in March 2020, keeping an eye on the intermediate term horizon while closely monitoring near term observations generally keeps investors from making poor decisions. Looking out 12 months, we remain in the constructive (reflationary) camp, particularly favoring stocks over bonds. The absence of fiscal stimulus is exacerbating the fear of CoVid related lockdown impacts on the economy but, as in March, we believe this is a temporary condition where 'buying the dip' is the right investment reaction. The appetite for smart lockdowns versus blanket lockdowns (CoVid fatigue), looming fiscal stimulus, and smarter therapies and vaccine hopes should work to mitigate the downdraft. Looking beyond all the negative headlines and stock market indices, market internals and indicators such as U.S. Treasury yields, yield curve slope, credit spreads, small caps, and copper are not behaving in a concerning way as it pertains to forward growth outlook at this time.

Below are a few charts illustrating some of the more confidence backing market internals for reference.



10yr interest rates not budging. Maintaining upward / reflationary trend.



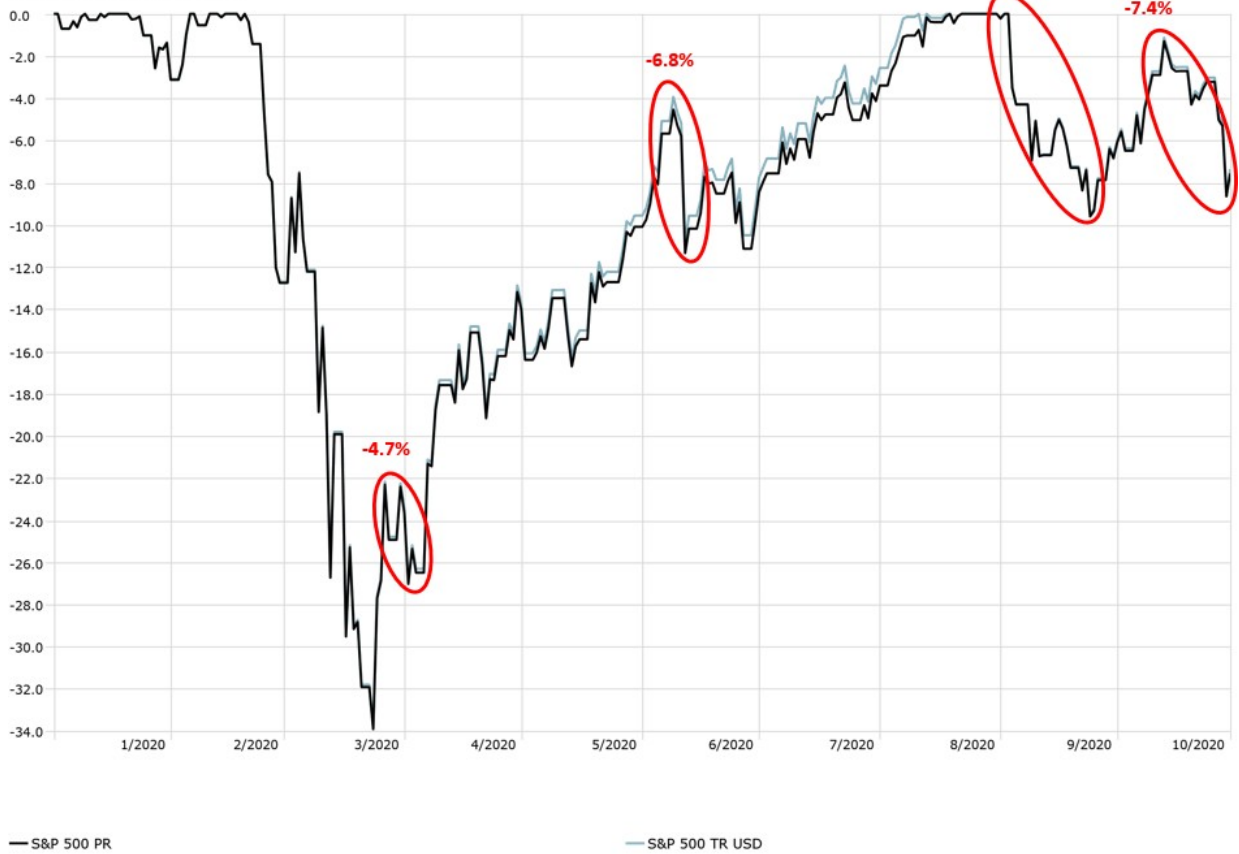
10-2 yield curve spread (slope) at 1yr high. Maintaining upward/reflationary trend.



High yield credit spreads have moved higher but still below average for the year and well below the last CoVid panic levels.

Drawdown

Time Period: 1/1/2020 to 10/29/2020



Source: Morningstar Direct

The most recent sell-off represents the third 5%+ correction this year since the March 23rd lows. On average, 5% corrections occur more than 3.3 times per year dating back to World War II.

IMPORTANT DISCLOSURE

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