

OBSERVATIONS

- COVID-19: Johnson & Johnson joins Moderna, Pfizer, and AstraZeneca with the 4th vaccine candidate to enter late stage clinical trials ([see Operation Warp Speed details in 17-Aug Research Corner](#)).
 - Pew Research Center notes that only 51% of American adults would get a vaccine if available today, as compared to 72% in May.¹
- Tight housing market remains: At the current sales pace, the inventory for existing homes for sale (currently 1.49 million homes) would be depleted in 3 months.²
- As we showed in the [chart of the week on 7-Sept](#), volatility is expected to persist as markets hone in on the election time frame. Some trading platforms have started to take notice – Interactive Brokers will increase margin requirements leading up to the elections in a move to control leverage.³
- Total small business revenue has been in a flatline since late May and is down 20.6% from January 2020. The worst hit industry, leisure and hospitality, is down 47.4% from January.⁴
- Undergraduate enrollment down, graduate enrollment up: Undergraduate enrollment down -2.5% from last year - community colleges hardest hit, down -7.5% from the prior year. Graduate enrollment up +3.9% YoY.⁵
- Global PMI data showed a gradually stabilizing manufacturing sector, but service sectors across numerous countries declined in September as Covid-19 cases began to increase in Europe, the U.S., and Asia.
- Lack of a stimulus deal hits Q4 GDP estimates; Goldman Sachs cut its estimate of GDP from 6% to 3%. J.P. Morgan takes Q4 GDP estimate from 3.5% to 2.5%.⁶
- European banks make fresh all-time new lows amidst negative interest rate and slowing growth backdrop.⁷

EXPECTATIONS

- As of 25-Sept the S&P 500 is down -7.8%² from the 2-Sept all-time highs and U.S. equity funds experienced their biggest weekly outflows, as of 23-Sept, since December 2018⁸. Volatility could persist into this week as markets close out month end and quarter end.
- China announced last week a goal to achieve carbon-neutrality by 2060 but did not provide many details on how its policies would change to meet that goal.
- Trading volumes in Asia are set to decline this week as China's Golden Week holiday will close Chinese equity markets from 1-October to 7-October, while Hong Kong exchanges are set to be closed on October 1st and 2nd.

ONE MORE THOUGHT – Election Volatility Likely

The U.S. presidential election is less than 40 days away, the first Presidential debate will occur tomorrow (29-Sep) in Cleveland, and the polls are tightening. Options markets predict that in the days leading up to the election on Tuesday November 3, that volatility in the U.S. equity markets will spike. Unlike most past U.S. Presidential elections, it is increasingly likely that a clear winner may not be known by early hours of Wednesday November 4th most likely due to the need to count many absentee/mail-in ballots cast—the volume of which is expected to surge due to fears of the Coronavirus. Furthermore, in addition to the prospect of an unprecedented number of absentee/mail-in ballots to be counted, it is possible that the composition of these ballots may skew Democratic in some states. Recent polling suggests that Democratic Party registered voters have been requesting absentee/mail-

¹ <https://www.pewresearch.org/science/2020/09/17/u-s-public-now-divided-over-whether-to-get-covid-19-vaccine/>

² Bloomberg LP

³ CNBC.com

⁴ Tracktherecovery.org

⁵ National Student Clearinghouse Research Center, as of 24-Sept. First look with 22% of colleges having reported data.

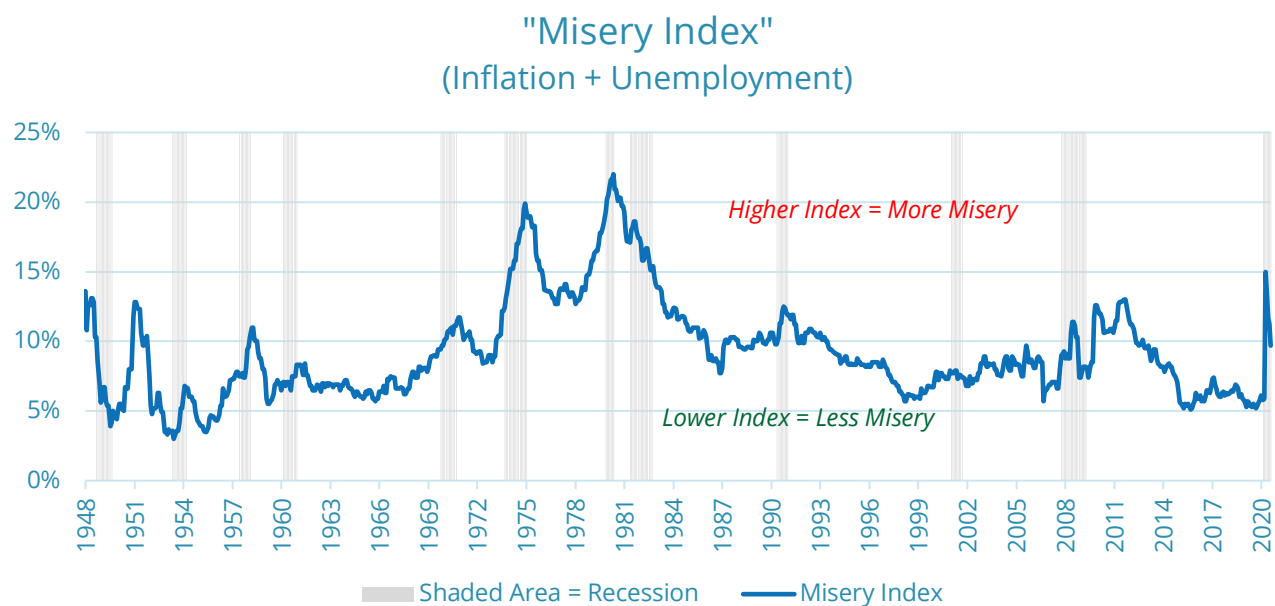
⁶ CNBC.com, BusinessInsider.com

⁷ Bloomberg LP, MSCI European Banks Index, as of 25-Sept

⁸ Marketwatch.com, Bank of America

in ballots at a significantly higher rate than Republican Party registered voters in several states⁹. This could result in a scenario in which early reports of a narrow Republican victory on election night - based upon exit polls of in-person voting - gradually erode and reverses as all the absentee/mail-in ballots are counted. Lawsuits and legal challenges to some absentee/mail-in ballots could also occur. The net result could be several days or even weeks where neither party concedes defeat and the nation once again waits for various court challenges, as in the 2000 Bush-Gore election, to be resolved before a clear winner is known.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, as of 23-Sept

The "Misery Index" was created by economist Arthur Okun in the 1970's (a period of high unemployment and inflation) and combines inflation with unemployment and measures the economic mood over time. The index is elegant in its simplicity but might be underestimated by today's circumstances given the ongoing pandemic, low core inflation readings, rapidly evolving employment backdrop, and general economic uncertainty that prevails.

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⁹ WSJ "Biden Supporters More Likely Than Trump's to Vote by Mail, Poll Shows" 17-Aug-2020