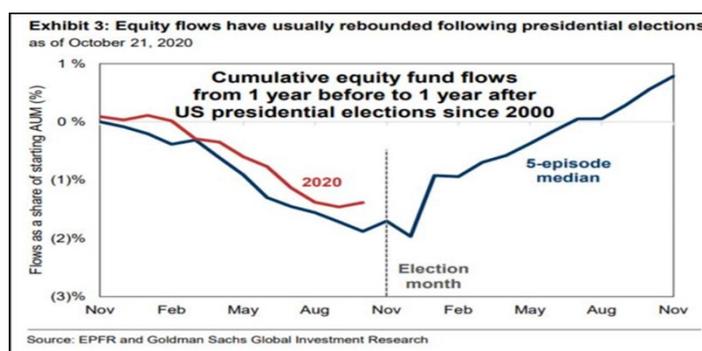


Macro View – Follow the Money

Tracking flows in and out of mutual funds and exchange traded funds can offer a window into retail and institutional sentiment. An industry leader in tracking flows, ICI, communicated that as of October 21st, equity mutual fund outflows were \$15.8bb versus \$4.6bb the week of September 23rd. On the contrary, bond mutual funds had inflows of \$11.2bb the week of October 21st versus inflows of \$5.9bb the week of September 23rd. Money market mutual fund values were relatively constant the month of October, at a total of \$4.38bb the week of October 7th versus \$4.35bb the week of October 21st. Exchange traded fund flows reflected the same rotation as mutual fund flows demonstrating \$10.8bb in equity outflows the week of October 21st and \$15.6bb in ETF bond inflows for the same week. This was a consistent trend the month of October. The chart below provides a graphic representation of fund flows leading up to the election, coupled with previous rebounding trends in fund flows post election.



Taking Stock – Homebuilding in Focus

Homebuilders and residential real estate demand have been a surprise in the midst of global pandemic. The National Association of Home Builders (NAHB) maintains an index of builder confidence specific to newly built single family homes. The index is currently at a record level as of October 19th. Low interest rates are largely driving demand to such a large degree that labor, lumber, and building materials are becoming problematic and creating extended construction times (NAHB). The index results have played well into the performance of homebuilding companies like Pulte Group (PHM). The chart below shows Pulte's return in equity over three years, at about 10% in 2018 while nearing 25% in October of 2020. Consistent with demand, Pulte has committed to increasing land acquisition and development to \$843mm in Q3 with a total spend of \$2.7bb for the fiscal year 2020 (Seeking Alpha).

