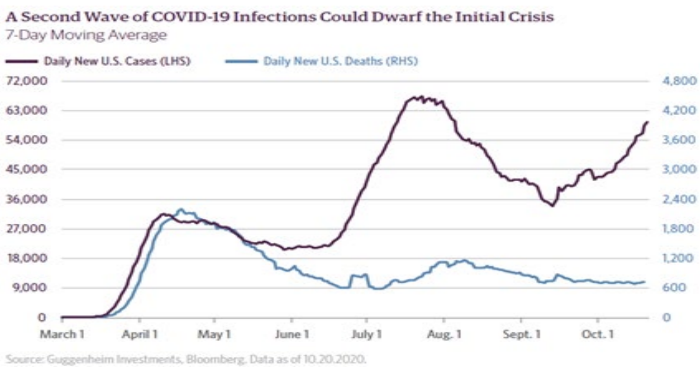
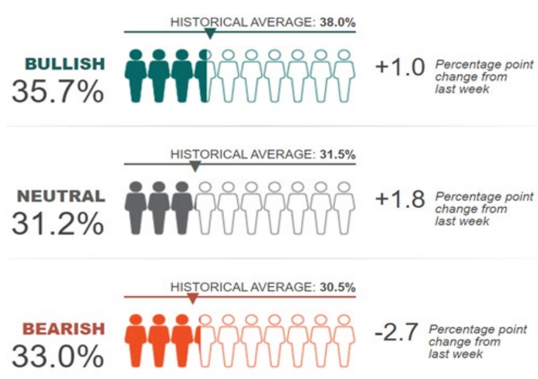
Fixed Income – Pandemic Investing

Data about the dreaded "Second Wave" of COVID-19 infections appears concerning, with significant investment implications. The 7-day average of new cases is approaching the high in July and countries in Europe are implementing national lockdown policies again. While newer cases appear to be less severe and our ability to effectively treat the virus has improved, the economic impact cannot be ignored. Tighter lockdown policies will further harm an economy that is struggling to recover from recession earlier in the year. If the trend of new cases continues, the most compelling investment would be long dated U.S. Treasury bonds. Yields have recently risen to the highest level this year, in part on expectation that further stimulus from Congress would be forthcoming. In the absence of stimulus, yields may fall near the lows for the year and Treasuries may outperform risk assets in the 4th quarter.



Technical – A Balanced Sentiment

The American Association of Individual Investors, founded more than 40 years ago by James Cloonan, publishes a weekly sentiment survey based on its 150,000 members' outlook for the stock market over the following six month period. Historically, the AAII survey has been effective at identifying technical points of inflection and is utilized by some analysts as a forward indicator. The current survey suggests individual investors are just slightly less bullish today than the historical average with a corresponding tilt towards bearishness. When bullish percentage declines below 30% that is often treated as a buy signal for equities, and when it rises above 40% it is often viewed as a time to take profits and reduce risk exposure. The survey is widely followed because of the sheer size of the participants, but actually interpreting what the survey tells us is challenging.



Source: www.aaii.com