

## Foresight Market Summary

September 30, 2020

### Market Highlights:

Stocks were up nicely in the third quarter, with major indices posting gains of 4-10%. Despite the strong gains in the quarter, September exhibited some volatility and global stocks in the month were down approximately 4%. That brings U.S. large cap stocks (S&P 500) to a YTD gain of 5%, while the Dow Jones Industrial Average is still down 1%

in 2020. Through September, emerging markets stocks (MSCI Emerging Markets) are down 1% on the year, followed by international stocks (MSCI EAFE) down 7% and U.S. small cap stocks (Russell 2000) down 9%. The bond market was mostly unchanged in September, with the U.S. 10-year Treasury yield starting and ending the month at 0.68% and credit spreads above Treasuries remaining roughly the same.

### Economic Outlook:

September's market jitters were largely due to a partial stalling of the pace of economic reopening. Given the lapse in unemployment insurance benefits at the end of July, personal income has trended down over the last two months. This highlights the importance of the next round of fiscal stimulus, which has reached somewhat of a stalemate in Washington given the large gap in the two sides' proposals. It appears that a stimulus package may be on hold until after the election. The market is now squarely focused on Trump vs. Biden and the corresponding implications on employment, government spending, economic growth, the dollar, and inflation. With less than one month to go, the betting markets and polls currently favor Biden to win the election at a ~60% probability.

### Insight of the Month:

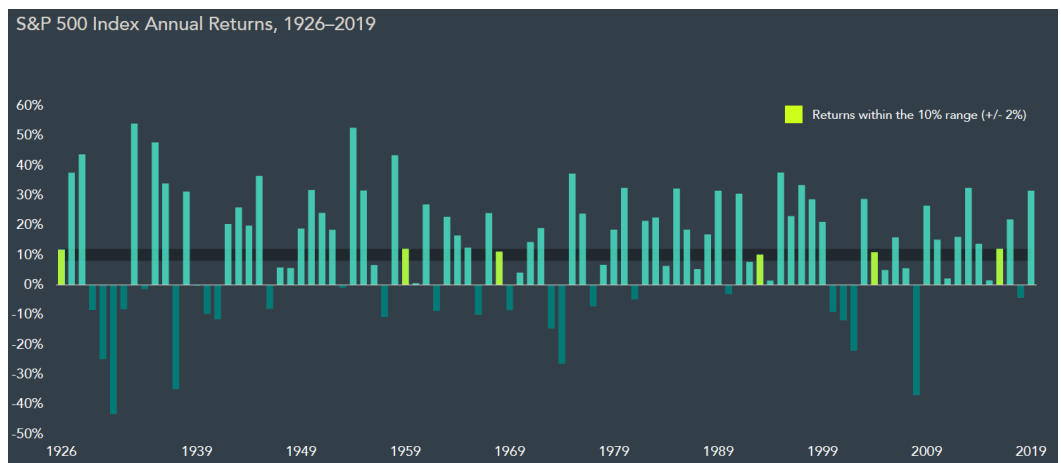
This chart, produced by Dimensional Fund Advisors, serves as a good reminder of the lumpy and volatile nature of the equity market. Despite the common notion that, on average, stocks generate annual returns of 10%, it requires patience and a multi-year perspective to obtain that. In fact, since 1926, the S&P 500 has generated a return of

10%, with a  $\pm 2\%$  band, in just six calendar years (shown by the lime green bars). That is a shockingly low number. Stocks tend to post some strong years, some negative years, yet relatively few "normal" years. Over time, investors who stay the course and maintain a long-term perspective are rewarded for withstanding stocks' inherent volatility.

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year	Econ. Indicators	Percent	As of
S&P 500 Index	5.58%	10.44%	29.08%	15.06%	12.16%	14.45%	Fed Funds Target	0.25%	9/30/2020
MSCI All Country World Index	1.69%	9.12%	27.84%	10.59%	7.33%	11.02%	Inflation Core CPI	1.30%	9/30/2020
Russell 2000 Small Cap Index	-8.58%	6.55%	31.15%	0.44%	1.71%	8.34%	Unemployment	7.90%	9/30/2020
Dow Index	-0.98%	9.02%	25.73%	5.45%	9.80%	14.16%	Real GDP Growth	-9.00%	9/30/2020
MSCI EAFE Index	-7.04%	4.38%	19.69%	0.09%	0.48%	5.47%	Yield Curve Spread	0.56%	9/30/2020
MSCI Emerging Market Index	-1.16%	9.90%	30.82%	10.81%	1.84%	9.08%	Wage Growth	4.60%	9/30/2020

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.52%	8.77%	0.00%	0.44%	7.85%	5.36%	3.61%
US Aggregate Bond Index	2.33%	6.70%	0.49%	3.21%	6.83%	5.16%	4.10%
US Bank Loan Index	3.99%	-1.96%	3.53%	10.60%	0.20%	2.24%	3.13%
US High Yield Bond Index	5.03%	-1.25%	5.01%	10.83%	1.20%	3.33%	5.67%



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