

September 4, 2020

323 WEEKLY UPDATE

The Weekly Newsletter of 323 Wealth Management LLC

THE LATEST FROM 323:

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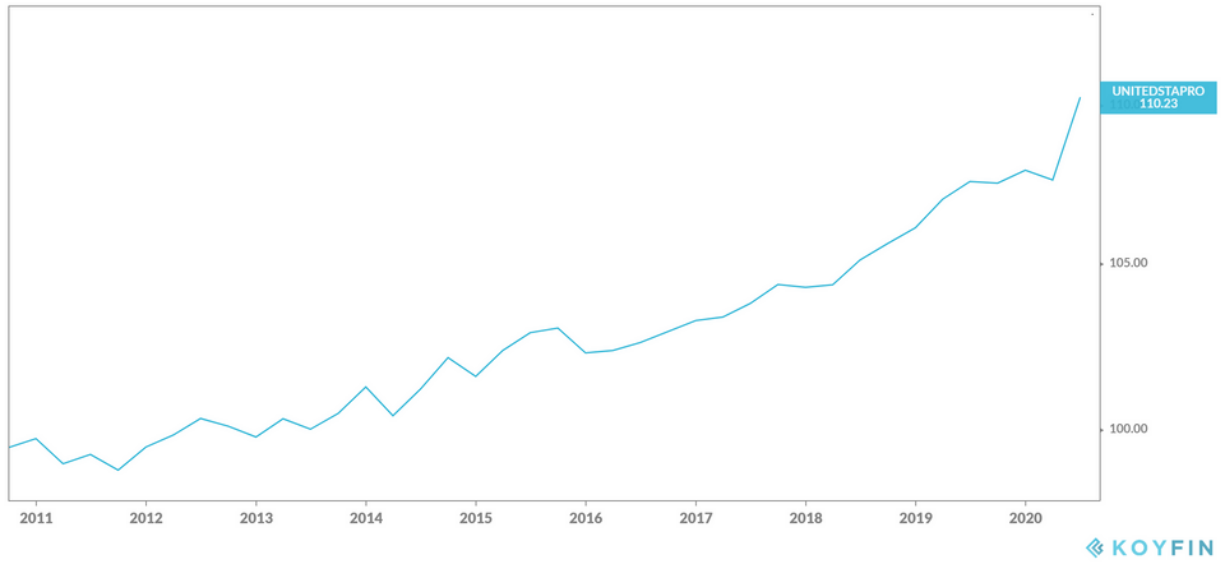
ECONOMIC SUMMARY

Story by Greg Wilson, CFA, CFP, MBA

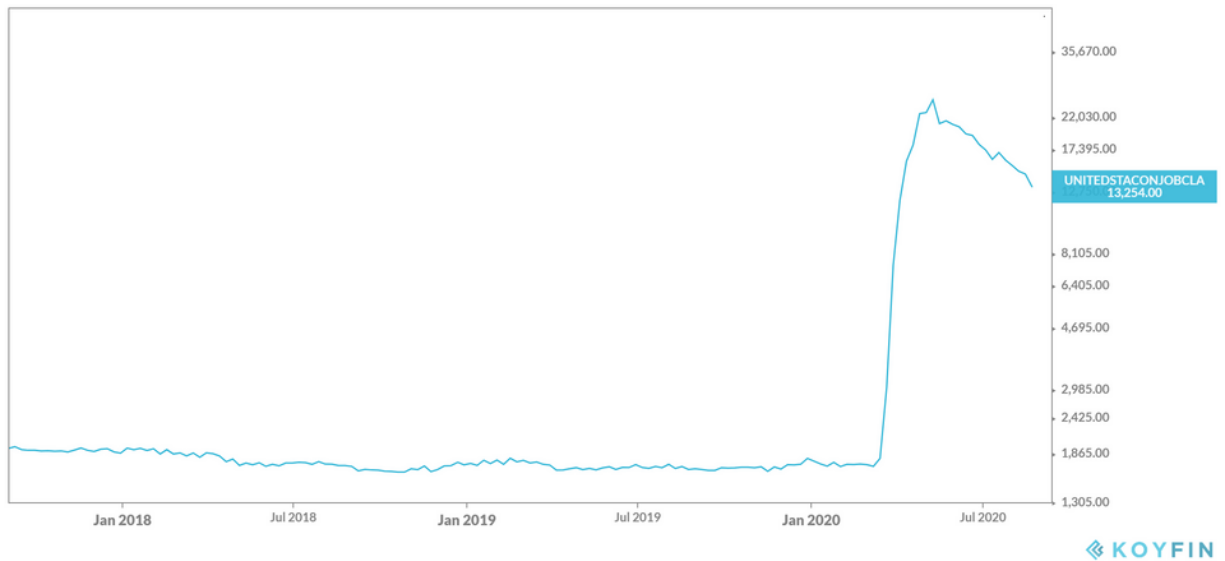
Economic data continues to improve at a better than expected pace. Labor Productivity is up and Continuing Jobless Claims are down. One of the themes that we do not see explored in the financial news is the how the cost controlling measures that companies have essentially been forced to deploy could potentially be used to boost profit margins long after the pandemic ends and top-line revenues return to expected levels. On a different note, the Federal Reserve has changed their language around inflation targets. They have expressed a willingness to let inflation rise and stay above their target for an extended time. Keep in mind that the Fed held short-term interest rates at zero for 10 years and inflation stayed stubbornly low. Also, inflation tends to be driven by population growth, with the exceptions of supply shocks and currency shocks, but those tend to be more short-term rather than structural. The birth trends in the U.S. do not support a thesis for higher inflation rates, but a hyper aggressive monetary policy could overcome that structural headwind.

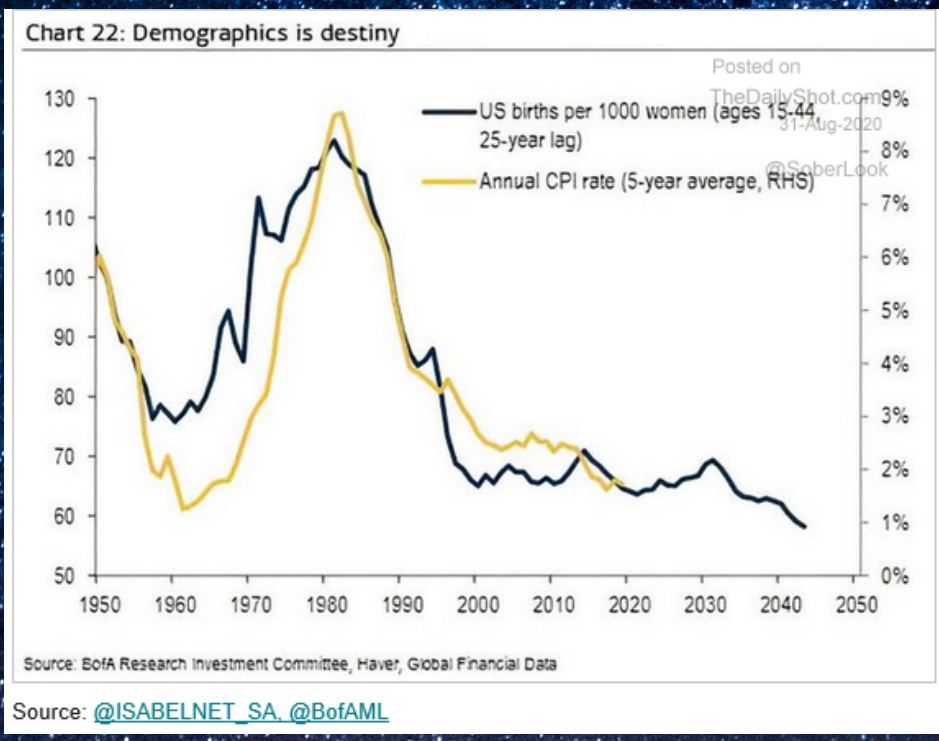
The charts on the next pages will help illustrate the aforementioned economic indicators.

US Labor Productivity



Continuing Jobless Claims







MARKET SUMMARY

Has growth lost its momentum?

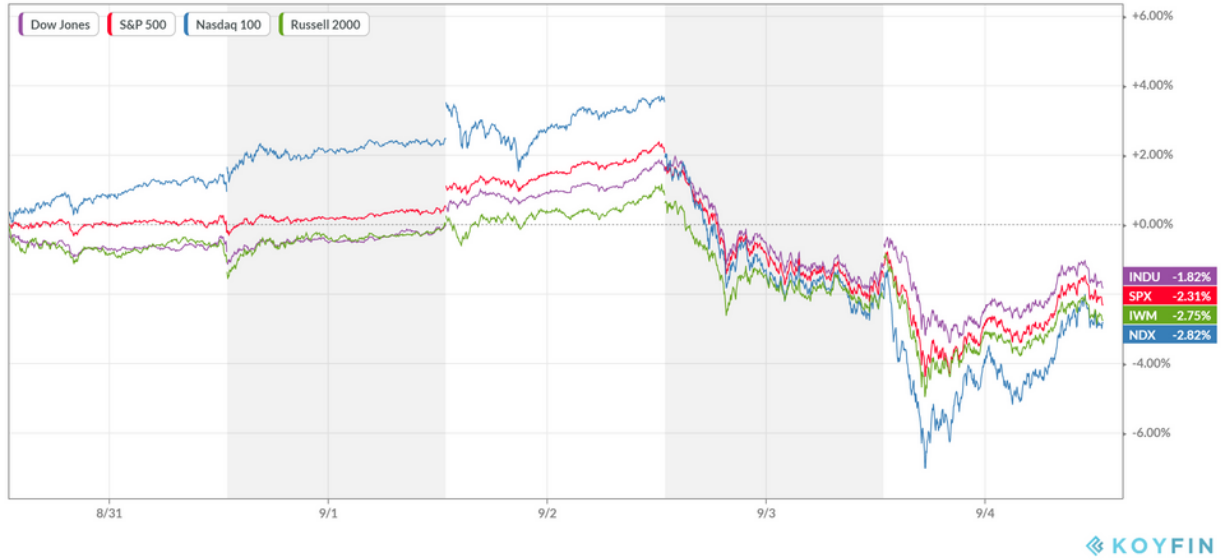
All of the major U.S. stock indices were negative this week. Growth stocks were a leader again this week, but this time, it was on the downside. Technology and Energy were the sector performance leaders to the downside. This was a week where a diversified, asset allocated portfolio provided the stability you would expect. This is because high quality stocks and bonds held their own this week. The VIX, volatility index, rose this week after being relatively tame for the past couple of months. The dollar has been under pressure most of the year and has declined relative to a basket of currencies as illustrated by DXY and , of course, it has declined when directly compared to some of the major world currencies. There are benefits to a weaker dollar. U.S. exports should be cheaper in the absence of retaliatory tariffs. This could help boost profits for multinational companies, but our trade policies are not encouraging that thesis at the moment.

We've discussed valuations before and they will likely continue to be a hot topic. I happened to take a snapshot of AAPL (Apple Inc.) earlier this week. There are many valuation metrics, but one of my preferred is Price to Cash Flow (2 years out) or PCF FY2. As the chart will show, AAPL's PCF FY2 has reached a level last seen in 2007. It has also done so in a parabolic fashion. There are other stocks exhibiting these characteristics as well. This appears to be an example of something running too far too fast. Feedback loops are notoriously prevalent in the financial markets. What is a feedback loop? Well, it's pretty simple. Someone buys a stock and it goes up in price, then someone else buys that stock because it went up in price. The cycle repeats over and over. The same process works on the downside. Discipline is key during these times.

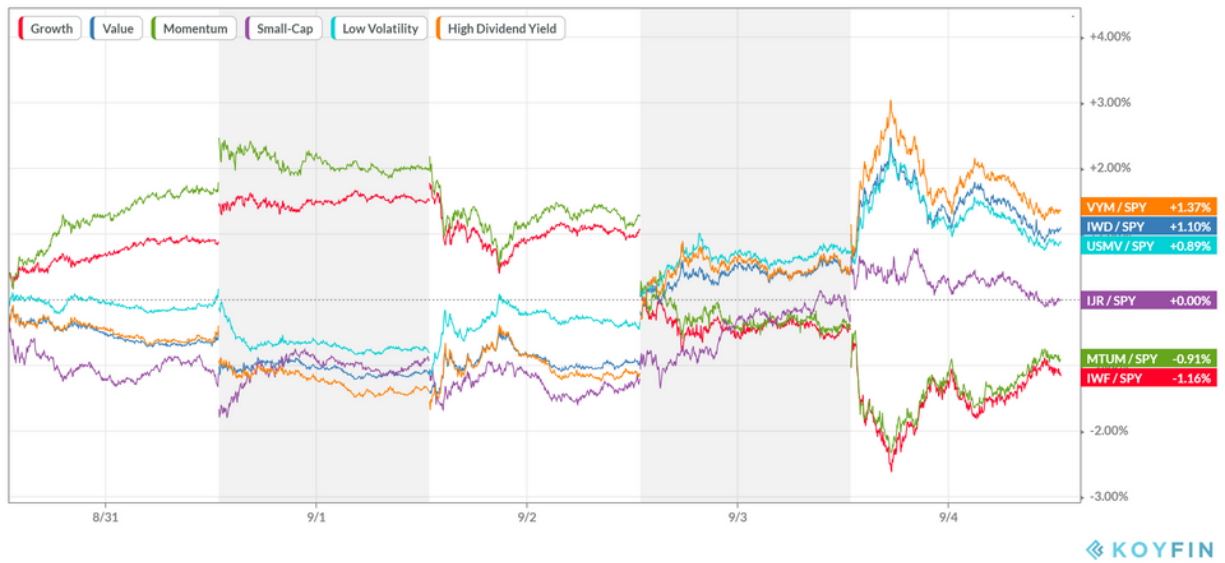
The charts on the next page highlight the weekly trends.

Understanding the markets can help us build a better plan for our financial futures AND sleep easier at night.

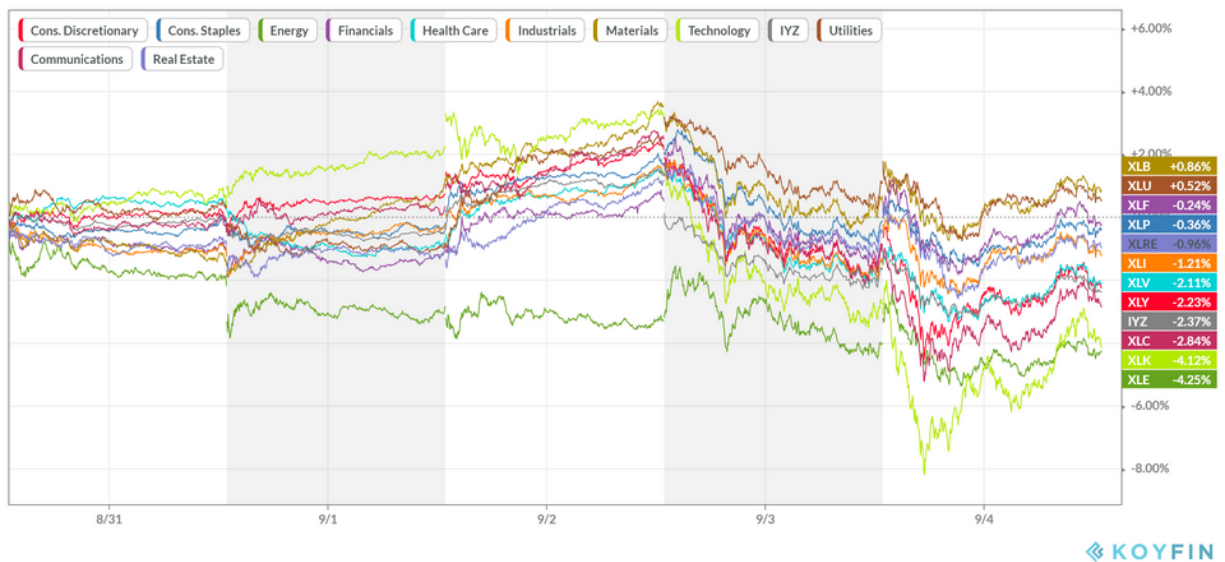
U.S. Major Stock Indices

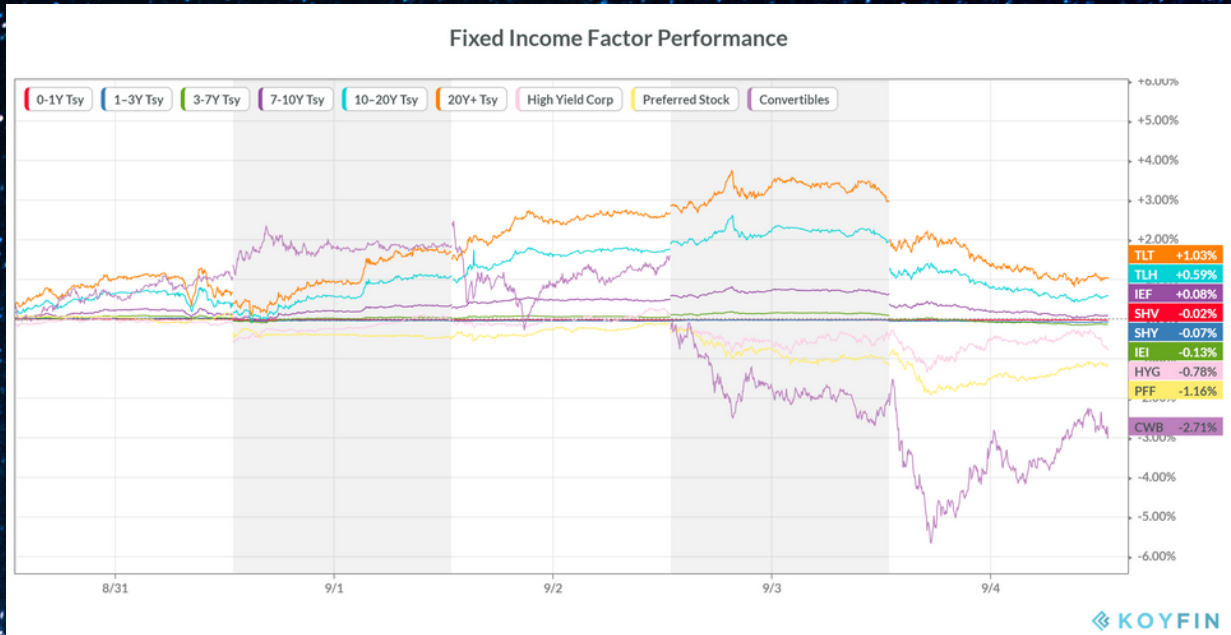


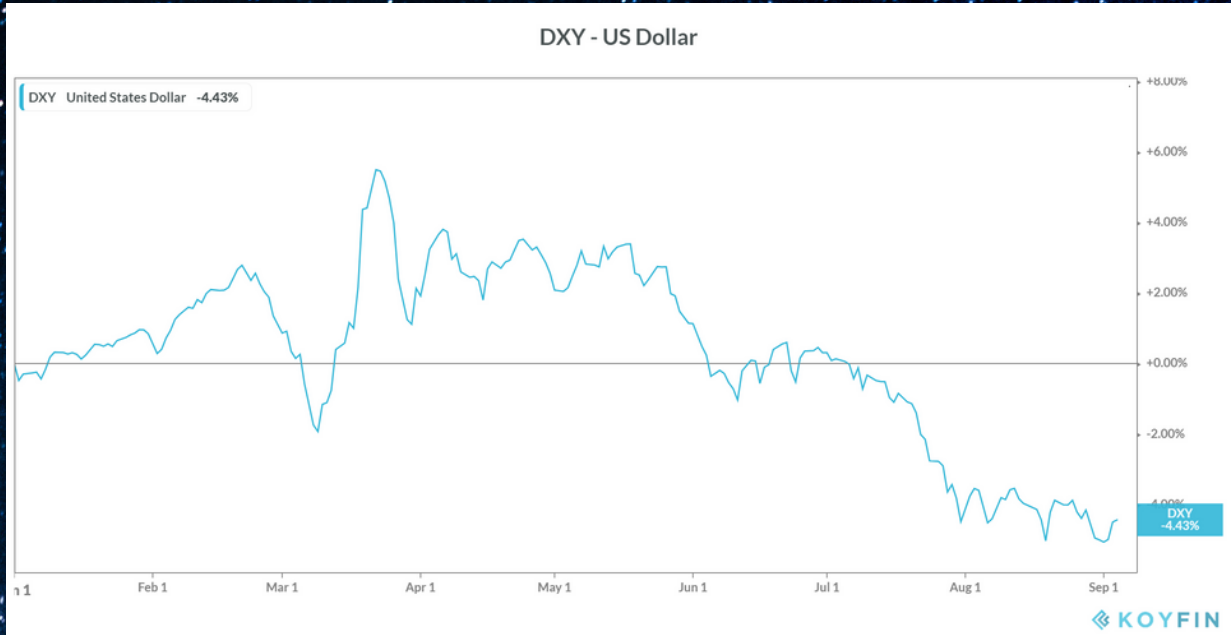
Factor Performance



Sector Performance







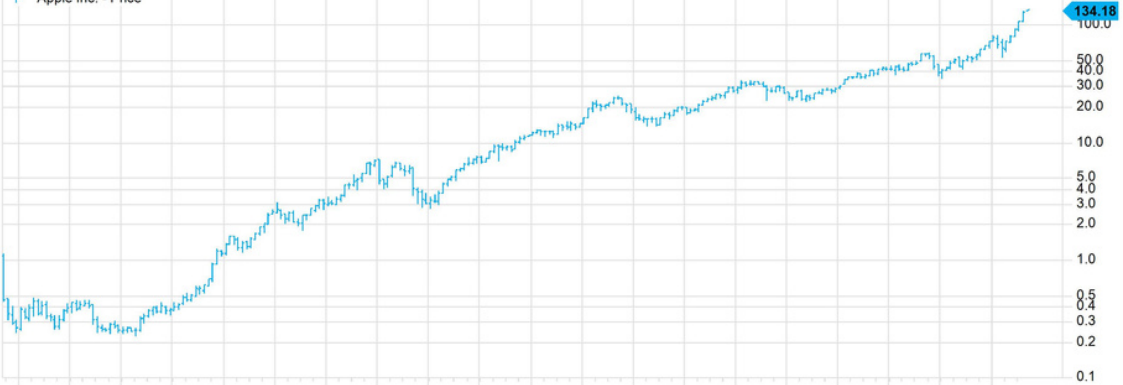
Currency Matrix Performance											
	USD	EUR	GBP	JPY	CHF	AUD	NZD	CAD	SEK	NOK	
USD		-5.1%	-0.5%	-2.1%	-5.4%	-3.7%	0.4%	0.4%	-6.0%	1.7%	

Apple Inc.

134.18 5.14 3.98% 3:00:00 PM VWAP:132.87

Monthly
High: 134.80 Low: 0.23 Chg: 29069.57%

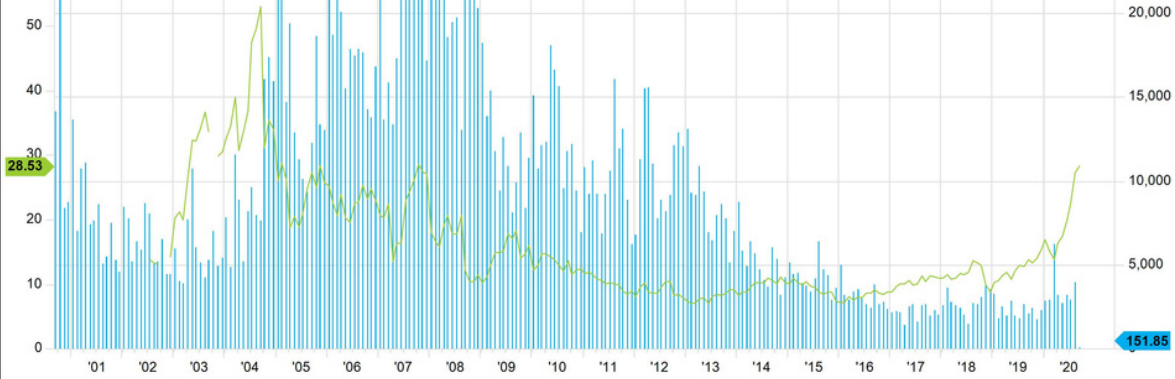
Apple Inc. - Price



Cvol: 151,847,260 Avg: 436,001,440

Apple Inc. - Volume

Apple Inc. - PCF - FY2





CORONAVIRUS

CORONAVIRUS UPDATE

We are learning.

In the U.S., the data seems to be improving. Case numbers are down over the last week and daily death numbers are down as well. More and more studies are being done to learn more about the virus which should enable us to provide better treatments.

Vaccine work is progressing and the public is being told to be ready before the end of the year. While that seems overly optimistic, the companies working on the vaccines are making good progress.

Please continue to stay safe and take the necessary precautions during this difficult time.

The U.S. Coronavirus dashboard is on the next page.

Keeping up to date on the pandemic will hopefully help you plan your finances as well as your life.

US Tests / Cases / Deaths

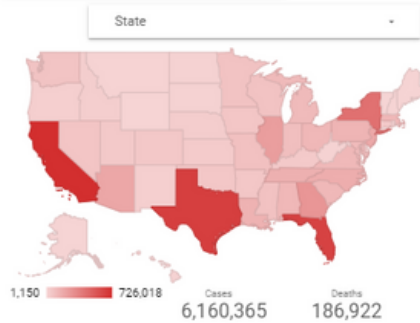
Data Updated 09/03/2020 @ 10pm CDT

From [Johns Hopkins Coronavirus Resource Center](#) and [COVID Tracking Project](#)

Compiled by Chris Tackett

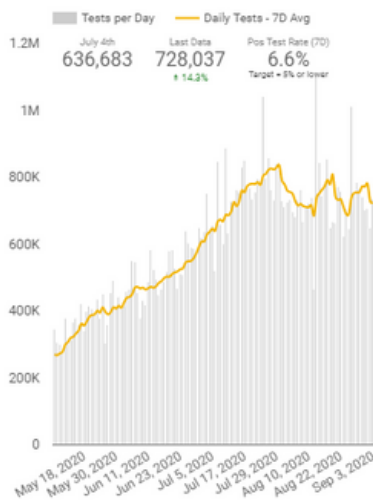
[Become a patron!](#)

May 7, 2020 - Sep 4, 2020

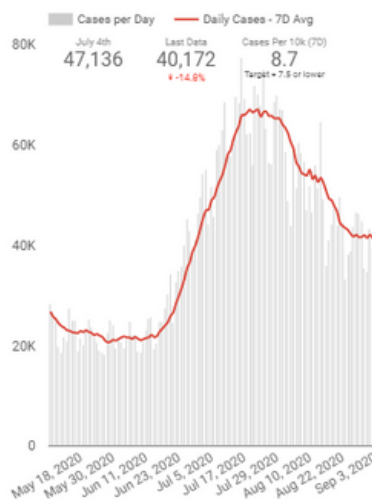


	22 - 28 Days Ago	15 - 21 Days Ago	8 - 14 Days Ago	Last 7 Days
New Tests	5,178,631 ↑ 3.4%	5,199,892 ↑ 0.4%	5,268,751 ↑ 1.3%	5,079,778 ↓ -3.6%
New Cases	368,211 ↓ -5.5%	326,982 ↓ -11.2%	294,774 ↓ -9.9%	281,204 ↓ -4.6%
New Deaths	7,123 ↑ 0.3%	6,999 ↓ -1.7%	7,938 ↑ 13.4%	5,969 ↓ -24.8%

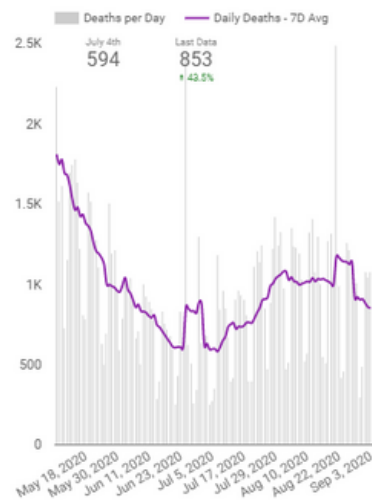
Daily Tests



Daily Cases



Daily Deaths



Data Last Updated: 9/4/2020 6:32:14 PM | [Privacy Policy](#)

Source:

<https://datastudio.google.com/u/0/reporting/c8a0edc3-2d74-4d85-9b7a-5ab335eb76b6/page/1XLJB>



FINANCIAL PLANNING UPDATE

Posthumous Charitable Giving

If you are charitably inclined and you would like to leave some of your estate to charity (or charities), have you spent time with a professional ensuring that your instructions are properly setup?

To find out more, click on the link below for a summary of how to approach this.

<https://abm.emaplan.com/ABM/MediaServe/MediaLink?token=4f80e17a696f4b4a9d3351607b224855>

Financial planning is an ongoing process that evolves with your life's changing circumstances.

CONCLUSION

A slight reversion to the mean, but not really.

The economic data continues to improve but the stock market took a break from its frenetic pace this week. That should not have been unexpected as we have been outlining for quite some time.

If you have questions and/or concerns, please give us a call. We are here to help. If this update has been forwarded to you and you would like to be included on future emails, please subscribe at our website at www.323wm.com.

Thank you very much for your time.

DISCLOSURES

Note:

The graphs and charts in this email were gathered from Koyfin, The Daily Shot, FactSet, and a Covid tracker

(<https://datastudio.google.com/u/0/reporting/c8a0edc3-2d74-4d85-9b7a-5ab335eb76b6/page/1XLJB>)

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