

October 5, 2020

323 QUARTERLY UPDATE

The Quarterly Newsletter of 323 Wealth Management LLC

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ECONOMIC SUMMARY

Story by Greg Wilson, CFA, CFP, MBA

Before we start our economics discussion, I thought it would be prudent to spend some time discussing the recent events surrounding the President's Covid-19 diagnosis. At 323, we are data driven in what we do. The data surrounding Covid-19 would suggest the President is in a higher risk group, but the survival rate is still very high. That being said, no one knows exactly what will happen. There are succession protocols in place for all branches of the U.S. Government, including the Executive Branch. Throughout our history, the American people have shown a tremendous resilience. I would expect this time to be no different. While short-term volatility should be expected to rise, we have prepared for that well in advance. If you have a long-term financial plan with a corresponding long-term investment plan, then you should be well positioned for a variety of potential outcomes over the next 3-6 months.

Note: We are changing the format of our newsletters. We will be providing links to the charts, graphs, and articles versus pasting them in the newsletter. This is being done to make the file format smaller and easier to send via email. Also, this format should make the letter easier to read and to empower the readers to easily explore further when that is desired. This newsletter is for the benefit of our clients and their friends, so please feel free to provide any feedback directly to us.



ECONOMICS SUMMARY (CONT.)

Recovery continues

From an economics perspective, the scenario continues to improve, albeit at a slower pace than we saw towards the beginning of the quarter.

Home sales and home prices continue to improve.

<https://koyfin.com/s/4OD6vYZkL9>

<https://koyfin.com/s/1fBKKO7gcA>

Inflation continues to pick up.

<https://koyfin.com/s/Kouqcdqc68>

Initial and continuing jobless claims continue to recede.

<https://koyfin.com/s/QL5O4b4jFQ>

<https://koyfin.com/s/B02rnmRByU>

Consumer confidence is the highest in six months.

<https://conference-board.org/data/consumerconfidence.cfm>

Without a vaccine, there are still headwinds, like dampened retail sales, struggling commercial real estate, and weak demand in the energy and travel sectors.

<https://www.bloomberg.com/graphics/recovery-tracker/?srnd=economics-vp>

Understanding the economy is one of the first steps to understanding investing.



MARKET SUMMARY

Strong market results driven by broader participation

For the U.S. stock market, the S&P 500 Index finished the quarter up 8.47%, the Dow Jones Industrial Average finished the quarter up 7.63%, and the Nasdaq finished the quarter up 11.02% (Source: FactSet)

The U.S. stock market in the third quarter was less dominated by technology companies. Tech still drove a lot of the gains, but so did Industrials and Materials. The Energy sector continued to struggle as there are continued concerns over weakened demand and the potential for excess supply across the globe.

<https://koyfin.com/s/ELwslnqHJb>

Corporate earnings are back on the rise. In fact, analysts increased earnings expectations for the first time since Q2 2018. Over the long-term, earnings tend to drive stock prices. Given the tumultuous and opaque nature of the earnings world over the last several months, the market has been less focused on earnings. This will not last forever. Earnings will likely take a front seat in the coming months. If companies are able to leverage their cost saving measures to maintain or improve their profit margins, then earnings could continue to surprise to the upside as top-line revenue recovers closer to pre-pandemic levels.

https://www.factset.com/hubfs/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_100220.pdf

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



CORONAVIRUS

CORONAVIRUS UPDATE

The second waves are here.

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

Note: This section is mostly unchanged from our last weekly newsletter.

As we have discussed from the beginning of the pandemic, we expected 3 waves. The timing of which would be geographically and policy dependent. The data clearly indicates that Europe and the UK are experiencing their second waves.

<https://www.statista.com/chart/22102/daily-covid-19-cases-in-the-us-and-the-eu/>

<https://www.statista.com/chart/21079/coronavirus-cases-uk/>

The good news is that they appear to be following a similar trend of substantially lower death rates as here in the U.S.

<https://www.economist.com/graphic-detail/2020/09/25/governments-errors-with-covid-19>

Additionally, there was an interesting article in The Economist (www.economist.com) regarding the Southern Hemisphere and the reduced severity of flu season. Perhaps there is hope that we can experience the same here in the U.S. and perhaps for all of the Northern Hemisphere...perhaps being the operative word.

<https://www.economist.com/graphic-detail/2020/09/12/the-southern-hemisphere-skipped-flu-season-in-2020>

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



FINANCIAL PLANNING UPDATE

Waiting until the end of the year for end-of-year planning may be too late.

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

End-of-year planning can and does sneak up on all of us. Some items that fall into that category might be related to gifting, estate planning, tax planning, investment planning, or general financial planning.

If you have a year-end financial to-do list, please do not wait until December to get it done. We can help you organize your financial plan and help you stay on track to accomplish the goals that you set. All the while, we provide you the confidence and peace of mind to focus on other aspects of your life.

And, finally, something a little more fun! For a visual history of portable music, please follow the link below.

<https://www.statista.com/chart/18555/portable-music-milestones/>

CONCLUSION

Recovery on track?

The third quarter was a positive one for the U.S. stock market. This success appears to be driven largely by monetary stimulus and strong economic data which has shown signs of recovering faster than originally expected.

Looking ahead, after the election, we would expect government policy to play a role in market expectations, but fundamental data like corporate earnings should be a larger driver.

Recently, corporate earnings have mostly surprised to the upside.

They could continue to do so if we can reasonably navigate our way through the pandemic.

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, charts, and articles in this newsletter were gathered from Koyfin, The Daily Shot, FactSet, The Economist, Bloomberg, and Statista,

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