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Equities continued their rally in the third quarter, as evidence mounted of a steady and ongoing recovery in the nation's economy. The rally in stock prices remained focused on growth and technology issues, while more traditional value issues were hobbled by the summer surge in the coronavirus. However, during the September pullback in stock prices, value stocks performed better then growth and technology, which ended, at least temporarily, a year-long streak in which growth dominated. While this may foretell a shift in the market's focus, we would caution that a similar move in May ended abruptly with the coronavirus surge.

The economic backdrop is improving, notwithstanding the ebb and flow of the pandemic around the US. The job market continues to gain ground as payroll processor ADP recently announced the addition of 749,000 private sector jobs in September, well above the expectation of 649,000. Most of these new jobs came from services such as trade, transportation, hospitality, healthcare, and utilities, which were the hardest hit sectors early in the pandemic. The unemployment rate has fallen to 7.9% from 8.4% in August, 10.2% in July, 11.1% in June, and 13.3% in May. Hourly earnings are advancing at close to a 5% rate while compared to the comparable month in 2019.

We see the improvement in employment driving personal spending, which accounts for 70% of GDP. Goldman Sachs recently raised their 3rd quarter GDP forecast to a 35.0% seasonally adjusted annual rate of increase from the prior 30% forecast, primarily due to a higher then expected consumer spending. The Atlanta Fed's "GDP Now" forecast also predicts a similar increase, which suggest that the economy is regaining lost ground much faster than was expected earlier in the year.

Key sectors such as autos and housing are experiencing strong recoveries. Auto sales in the third quarter, while down 11% from the same period last year, have improved from the 31% drop YOY in the second quarter, as urban consumers turn to owning cars. It is expected that the selling pace in September will be close to pre-pandemic levels. Both new and existing home sales and prices are booming driven by strong demand. As the Federal Reserve is expected to hold interest rates low for years to come, we expect housing and home related sales to remain strong for the foreseeable future.

There are legitimate concerns that the pandemic will surge as we enter the colder months, as schools and restaurants re-open and people suffering from "pandemic fatigue" dispense with mask wearing and social distancing. While those concerns are not unwarranted, the vaccine timetable previously discussed remains unaltered, and the expectation is that by year-end at least one or more vaccines will start to be available at least for emergency use authorization. Promising treatments are also advancing rapidly, as Gilead's Remdesivir will shortly be joined by monoclonal antibody treatments, which lower viral load and symptoms, and Dexamethasone, an anti-inflammatory medication. These and other treatment advances account for a reduction in mortality rates, even as new coronavirus cases have periodically spiked. In short, we see steady progress on the public health front as well as on the economic front.

Please be advised that, effective October 1st our address has changed. Our office address is now:


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Also, please let us know if you would like to receive a copy of our ADV Part II, which we will send to you upon request.

Sincerely,

John E. Maloney
Chairman