



Chief Investment Office PWM

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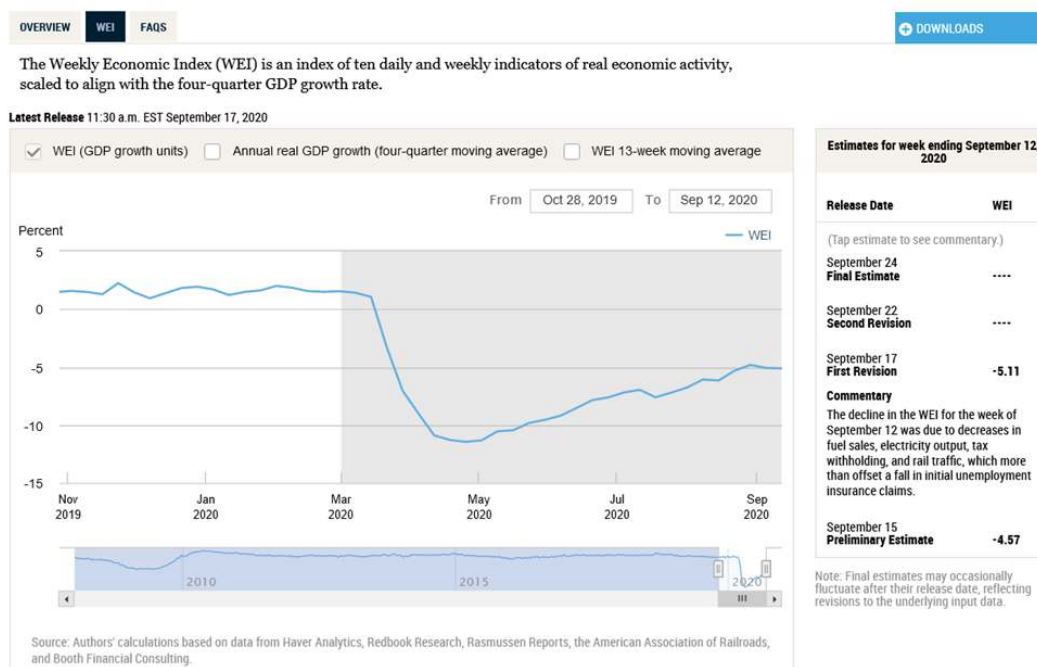
FED Comments Upset the Stock Market

There are times when markets appear to be looking for an excuse to move. This was one of those weeks. The Federal Reserve Meeting ended Wednesday, and as is customary, FED Chair Powell made comments at the close of the meeting. Few were expecting any earth-shattering news and we didn't get any. **The FED signaled that short-term rates would remain unchanged at levels close to zero through 2023.** This was a bit more specific in time frame, but was very similar to previous guidance. **The market trigger appeared to be pulled when [Powell said that "more fiscal support is likely to be needed"](#).**

That statement, combined with 1) economic data that continues to trend in a positive direction, albeit at a slower pace, and 2) a lack of Congressional progress on a new stimulus package, was enough to push the market over the edge. This is precisely what we discussed last week when we broached the topic of a double dip recession. We doubt Powell would ever use the term double dip in public, but in our mind, that was the message – **yes, things are improving, but the recovery is losing momentum.**

This is clearly evident in the NY Fed Weekly Economic Index in its final update for the week on Thursday (see below). We are generally headed in the right direction, but with less vigor.

Weekly Economic Index (WEI)



An Opportunity for Stimulus Compromise is Wasted

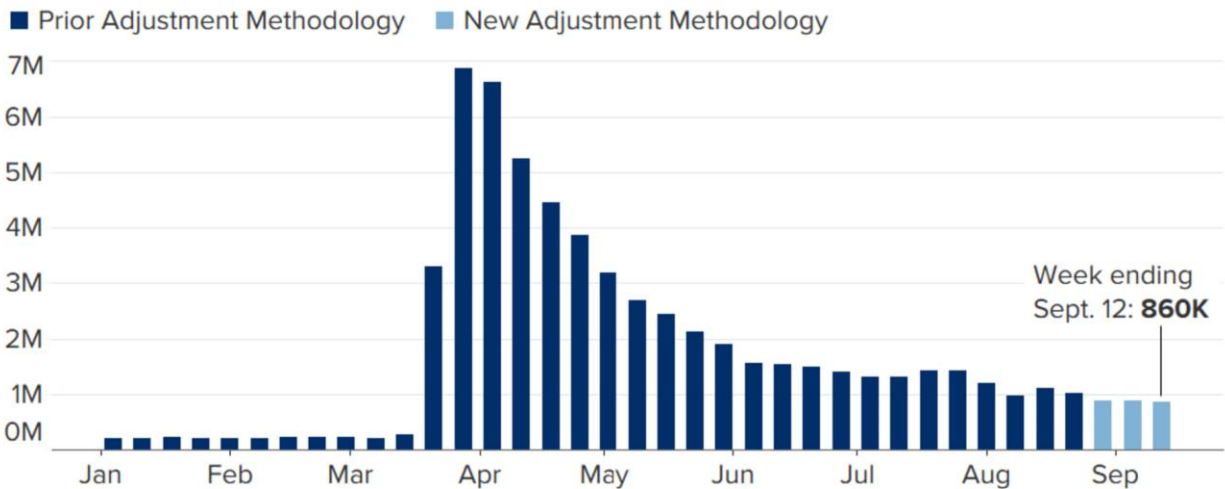
Just prior to the FED's public comments, a bipartisan group of 50 House lawmakers (the Problem Solvers Caucus, comprised of 25 Democrats and 25 Republicans) who are clearly tired of politics as usual, hammered out a [compromise \\$1.5 trillion stimulus proposal](#). To us, it looked like a pretty good deal, largely because both the extreme right and extreme left were unhappy with the proposal, which is the sure sign of a fair deal. Unfortunately, Pelosi quickly rejected the proposal, which appears to have killed it. Predictably, once rejected by Pelosi, Trump warmed up to the idea, but presumably that was all for show. With Congress about to head home for the campaign before election day, hope for a stimulus package is quickly waning and that can be expected to weigh on the stock market.

Unemployment Claims – Good, But Not Good Enough

First-time claims for unemployment insurance were 860,000 for the week ended Sept. 12, down from 893,000 the week before and beating Street estimates. Continuing claims also fell by over 900,000 and totaled 12.6 million. All of this is an improvement, but a look at the chart below shows that we remain a long way from where we were at the beginning of the year. With more than 12 million on the unemployment rolls and adding over 800,000 per week, we clearly need a faster pace of recovery.

Initial claims for unemployment insurance

Weekly in 2020, seasonally adjusted. Light blue bars represent weeks in which the Department of Labor is using a new seasonal adjustment methodology.



SOURCE: Department of Labor. Data is seasonally adjusted. Data through September 12, 2020.



Vaccine Update Without the Politics.

Thus far, progress on vaccines remains positive. AstraZeneca had a minor (and common) delay when one subject became ill. That has now been cleared up and apparently had nothing to do with the vaccine. Pfizer, Moderna and others are also on track, but we doubt the President will get his vaccine before election day. **According to a September 17 Research Note, Brookline Capital Markets states, “Late stage COVID-19 vaccine programs include 2-3 that are expected to have data by October 2020 and could be approved in the US by December 2020. Several others are in phase III or expected to enter phase III by H1 2021.”**

What we should be looking for in the interim is positive updates on progress, expansion of the Phase 3 trials, and relatively few and brief interruptions like AstraZeneca confronted. Production of these vaccines has already started and **Brookline estimates are that there could be hundreds of millions of doses available globally by the end of 2020. If correct, this would be welcome news in the stock market, especially for cyclical stocks, but somewhat upsetting in the bond market, as an accelerating recovery could bring upward pressure on interest rates.**

<u>Vaccine</u>	<u>Sponsor</u>	<u>Ticker</u>	<u>Phase</u>	<u>Size</u>	<u>Enrollment</u>
ARCT-021	Arcturus	ARCT	Ph 1/2	92	Ph 3 early 2021
AZD1222	AstraZeneca	AZN	Ph 2/3	12,300	Ph 3 open
MRNA-1273	Moderna	MRNA	Ph 3	30,000	23,497
BNT162b2	Pfizer/BioNtec	PFE	ph 3	30,000	28,000
Ad26.COVS.S	Johnson & Johnson	JNJ	ph 3	60,000	Ph 3 open
Verocell	China Government		ph 3	45,000	NA
CVnCoV	Curvac		Ph 2/3	859	NA
TBD	Sanofi GSK	SAN+GSK	Ph 1/2	440	NA
NVX-CoV2373	Novavax	NVAX	Ph 2	1,631	NA
VLA2001	Valneva	VLA-FR	Ph 1	NA	NA
Name unknown	CSL/University of Queensland		NA	NA	NA
Name unknown	Russia		Ph 3	40,000	NA

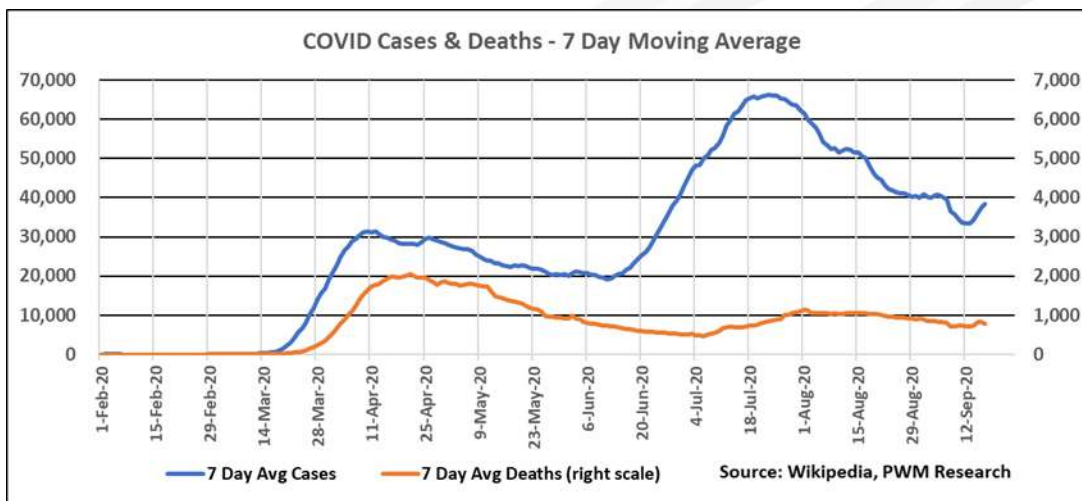
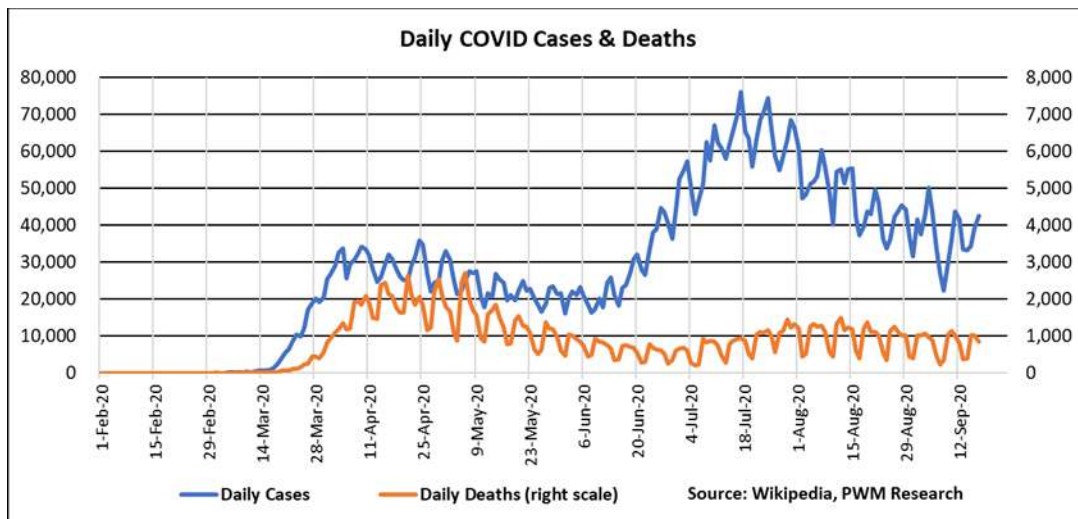
Exhibit 2 Source: Brookline Capital Markets.



Turning Back Up – A COVID Update

COVID-19 is a disease of proximity. The closer you are to other people, the more likely you are to contract it. It is just that simple and the statistics are bearing that out. With schools and colleges opening, **we are already beginning to see a rebound in cases. No one knows if this is the start of the dreaded ‘second wave’, but the good news is that we have become more skilled at treating this disease and those being infected are generally less at risk.** This makes a repeat of the Spring mayhem experienced in New York an unlikely event. Nonetheless, more people contracting COVID-19 puts everyone at more risk.

Buckle up, we are not out of the woods yet.



What We're Reading

[Both Trump and Biden Will Bring Higher Corporate Taxes: PwC Survey](#)
[Shapes of Recovery: When Will the Global Economy Bounce Back?](#)
[Covid-19 Vaccine Is 'Kryponite' for Tech Stocks \(5 Min. video\)](#)
[Why the Market Fell on Good News, And Why That is So Worrying](#)
[Snowflake IPO Surge Makes it the Priciest Tech Stock by a Mile](#)
[Retail Sales Numbers Prompt Three Big Concerns for Investors](#)
[Sept. Manufacturing Activity Slows Further in Philly Fed's District](#)
[Israel, UAE and Bahrain sign US-brokered normalization deals](#)
[Bones to Pick, for \\$8M: Stan the T Rex Goes Up for Auction](#)

The above headlines are from multiple sources, including, Reuters, The Wall Street Journal, The NY Times, Bloomberg, Barron's, and CNBC.

Markets This Week

Rotation returned with cyclically sensitive names leading the way. Commodities rose 3.99%, Energy, 3.03% and Industrials 1.51%. In addition, Homebuilders maintained their hot streak and Small and Mid-caps staged strong recoveries. Among the broader indexes the tech heavy NASDAQ lead the way down this week with the S&P 500 not far behind. Communication services, information tech and consumer stocks accounting for the largest declines among the sectors.

US Equities			Fixed Income			Sector Breakdown		
	1 week	YTD		1 week	YTD		1 week	YTD
S&P 500 (SPY)	-1.02%	3.79%	20+ Yr. Treasuries (TLT)	-0.55%	21.74%	Consumer Disc. (XLY)	-1.49%	15.56%
Dow (DIA)	-0.21%	-1.80%	Barclays US Aggregate (AGG)	-0.13%	6.49%	Info. Technology (XLK)	-1.06%	22.89%
NASDAQ (QQQ)	-1.32%	26.01%	Intermediate Municipal (MUB)	0.02%	2.97%	Financials (XLF)	-0.12%	-18.63%
Russell 1000 Growth (IWF)	-0.89%	19.77%	US Corporate Bonds (LQD)	0.27%	7.67%	Health Care (XLV)	0.91%	4.56%
Russell 1000 Value (IWD)	0.58%	-10.56%	Barclays US High Yield (HYG)	-0.19%	-1.59%	Utilities (XLU)	-0.70%	-7.77%
Vanguard Mid-Cap (VO)	0.96%	-0.70%				Industrials (XLI)	1.51%	-2.12%
Vanguard Small-Cap (VB)	2.11%	-5.79%				Energy (XLE)	3.03%	-42.03%
International Equities			Commodities			Consumer Staples (XLP)	-1.48%	2.49%
	1 week	YTD		1 week	YTD	Comm. Services (XLC)	-1.74%	10.06%
MSCI EAFE (EFA)	0.51%	-4.88%	Commodities (PDBC)	3.99%	-15.04%	REITS (VNQ)	-0.11%	-12.08%
MSCI Emerging (EEM)	1.34%	-0.20%	Gold (GLD)	0.41%	28.20%	Homebuilders (XHB)	1.28%	17.58%

The table above is an analysis of the weekly and year to date returns of various markets/sectors that we follow (More RED = worse performing markets/sectors; More GREEN = best performing markets/sectors). Source: PWM Research

Retirement Planning:

[10 Things You'll Spend More on in Retirement](#)

The demands on your savings during your golden years might surprise you

Tax Planning:

[You may never see it as good as it is now](#)

One San Francisco accountant finishes every client conversation with a discussion about what a Biden administration could mean for portfolios

Estate Planning:

Estate Planning and the Upcoming Elections

You may want to revise your plan depending upon the potential outcome of the elections and your personal circumstances.

Health:

Tips for managing mental health during COVID-19

Months in, the pandemic continues to take a toll on mental health.

Entrepreneur:

10 Reasons Why Business Owners Should Consider Joining A Peer Advisory Board

It doesn't have to be lonely at the top. Joining a peer advisory board might be the perfect remedy.

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