



Tech stocks push the Nasdaq higher

Even as the stock market saw a pullback in September, it's clear that stocks as a whole are operating on a different level than the rest of the economy. While small businesses remain shuttered or at lessened capacity, the market has maintained growth. This might seem like a fluke, but it actually makes sense when put into context.

The technology sector is by far the biggest sector in the entire market, accounting for 18.9% of the entire market capitalization of all US stocks. During this period of economic uncertainty, technology stocks — led by Amazon, Google, Tesla, and Zoom — have not stopped growing. In fact, only six technology stocks comprise half the value of the Nasdaq 100. Year-to-date, the Nasdaq has significantly outperformed both the Dow Jones and S&P 500 due to its heavy weighting of technology and pharmaceutical companies.

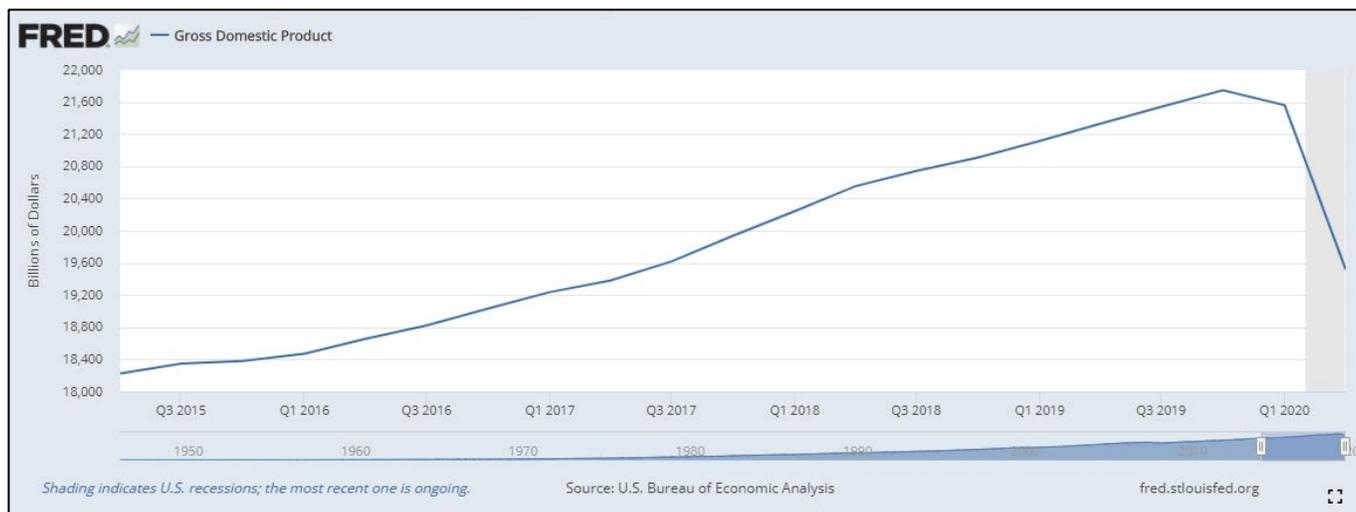


Source: <https://finance.yahoo.com/quote/%5EIXIC/chart>

As a result, technology stocks have made it appear that stocks as a whole are riding high. Yet, other major sectors of the economy, including telecommunications, energy and utilities, have drastically underperformed. When looking at the market it's important to not just look at stocks at the most general level, and instead, drill down into sectors and industries to really get a sense of what's happening.

US GDP sees historic drop

It should come as no surprise that the US economy fell off a cliff in the second quarter of the year, but just how bad was it? From April to June, US GDP fell by 31.4% at an annualized rate, a record quarterly drop. Luckily, as businesses were able to re-open in the summer months, GDP is likely to expand drastically. Currently, economists estimate a third quarter GDP — which will be released at the end of October — to expand by 25%. This see-saw effect is highly dependent on a potential next wave of coronavirus outbreaks in the country.

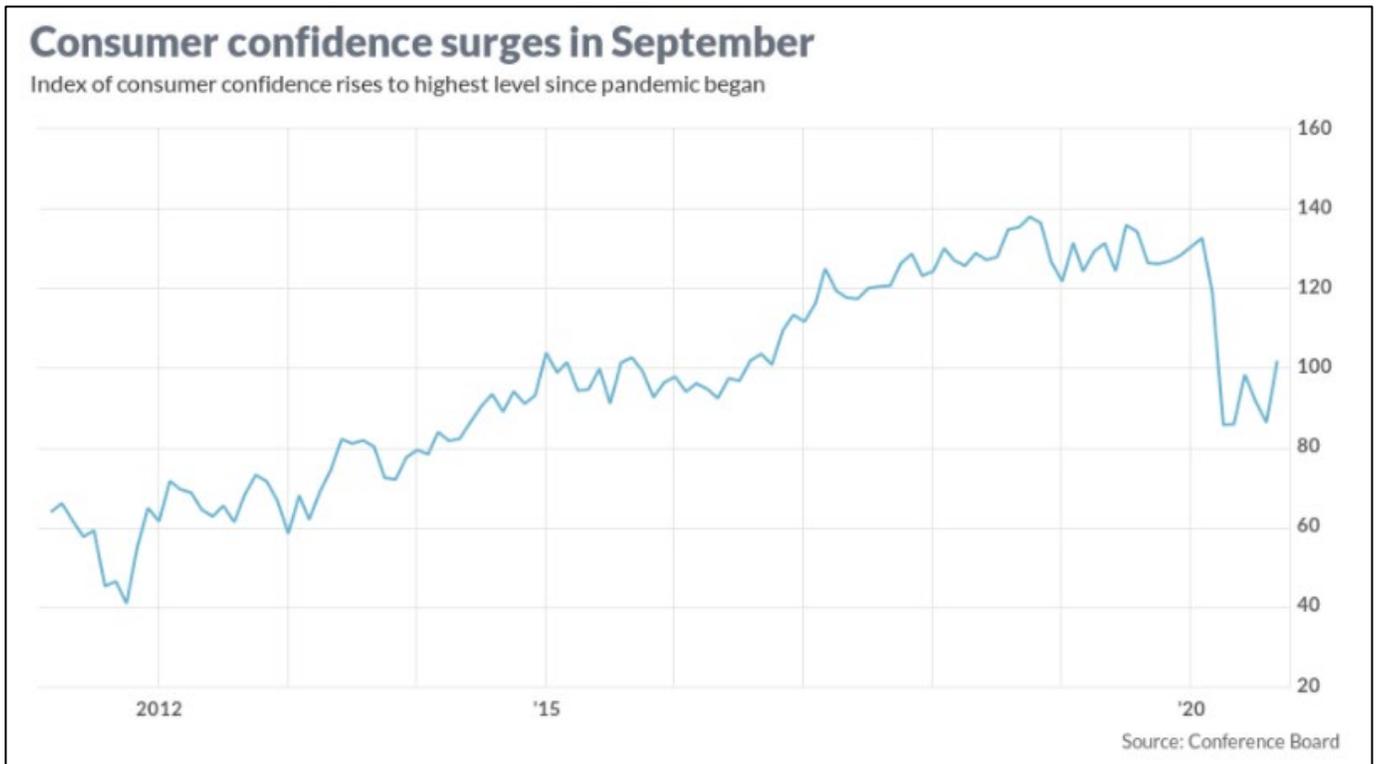


Source: <https://fred.stlouisfed.org/series/GDP>

The global economy is struggling right along with the United States. The OECD expects global GDP to contract by 4.5% this calendar year. This figure is actually better than the 6% contraction that was estimated in June. Still, a global decline of this size has never been seen. “The drop in global output in 2020 is smaller than expected, though still unprecedented in recent history,” the OECD said in its report. The organization sees the global economy rebounding in 2021 to the tune of 5% growth, although this number is certainly subject to a steady recovery from the coronavirus.

Consumer confidence back on track

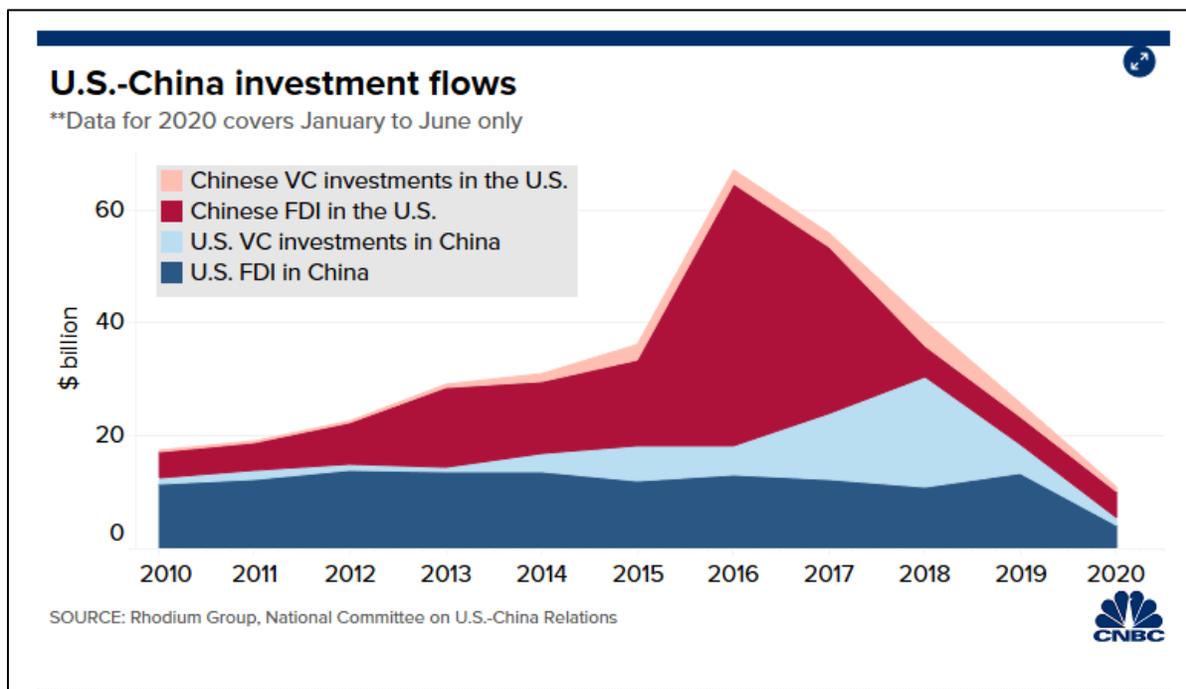
Even as GDP shrunk in the second quarter, consumers are starting to feel better about their financial standing and the economy as a whole. Consumer confidence rose in September to 101.8, the highest level since the pandemic began. This one-month jump from 86.3 in August is the single biggest monthly rise in the index in 17-years. Senior director of economic indicators at the Conference Board, Lynn Franco, noted, “Consumers also expressed greater optimism about their short-term financial prospects, which may help keep spending from slowing further in the months ahead.” In similar good news, consumer spending rose in August, up 1.0% from the month before, and building on a 1.5% increase in spending in July.



Source: <https://www.marketwatch.com/story/consumer-confidence-surges-to-highest-level-since-start-of-coronavirus-pandemic-2020-09-29>

US-China relations remain at an all-time low

The past two years have not been helpful for US-China relations. The two global superpowers remain entangled in a trade battle that, coupled with intellectual property and surveillance disputes, have not made things easy. Investment between the two countries continues to fall after peaking in 2016. Meanwhile, the Chinese tech giant TikTok continues to battle its way through US courts in an attempt to stave off a nationwide ban.



Source: <https://www.cnbc.com/2020/09/29/5-charts-show-how-the-us-and-chinese-economies-depend-on-each-other.html>

Much of the tension between the two nations is a result of the strong stance President Donald Trump has taken against China. Many wonder what the relationship between the two nations may look like if Democratic nominee Joe Biden were to be elected into office for the coming year.

Articles We're Reading

Disney, Shell Sound Economic Alarm in Thousands of Job Cuts ... ([link](#))

Oil prices fall on mounting demand recovery concerns ... ([link](#))

These 20 innovations are helping us to conserve, restore and grow one trillion trees ... ([link](#))

Market Snapshot

For the Month Ending 9/30/2020 (Cumulative Returns)¹

United States Markets	1-Month	3-Month	YTD	1-Year
Dow Jones Industrial Average	2.28%↓	7.63%↑	2.65%↓	3.21%↑
S&P 500	3.92%↓	8.47%↑	4.09%↑	12.98%↑
The NASDAQ Composite	5.16%↓	11.02%↑	24.46%↑	39.61%↑
U.S. Mid Cap	1.91%↓	7.56%↑	1.79%↓	4.56%↑
U.S. Small Cap	3.05%↓	4.50%↑	11.08%↓	3.80%↓

Global Markets	1-Month	3-Month	YTD	1-Year
Nikkei 225	0.20%↑	4.02%↑	1.99%↓	6.57%↑
Hang Seng	6.82%↓	3.96%↓	16.78%↓	10.09%↓
Shanghai Comp	5.23%↓	7.82%↑	5.51%↑	10.77%↑
FTSE 100	1.63%↓	4.92%↓	22.23%↓	20.82%↓
DAX	1.43%↓	3.65%↑	3.69%↓	2.68%↑

Fixed Income	1-Month	3-Month	YTD	1-Year
Corporate Bonds	0.44%↓	0.82%↑	7.33%↑	8.89%↑
Municipal Bonds	0.12%↑	0.97%↑	3.29%↑	3.92%
High Yield Bonds	0.93%↓	4.05%↑	1.25%↓	1.20%↑

Market Indicators	Rate	Market Indicators	Value
10 Year Treasury	0.69%	WTI Crude Oil	39.86
Fed Funds Target	0 to 0.25%	Gold - Spot Price	1,885.44
Inflation Rate	1.3%	U.S. Dollar	93.89
Unemployment Rate	8.4%	CBOE Volatility Index	26.37

Did You Know?

The closest presidential election in US history

While you might remember the 2000 US election between George W. Bush and Al Gore as a very tight race — Bush won by only 5 electoral votes, and lost the popular vote by 0.5% — it actually wasn't the closest presidential election in history. Back in 1876, Republican candidate Rutherford B. Hayes squared off against Democrat Samuel J. Tilden in what would be the tightest race ever seen. After voting irregularities were found and ballots were recounted, the results were finally settled. Tilden was proclaimed the victor in the House of Representatives with only a one vote advantage in the electoral college, even as he lost the popular vote by 250,000. Talk about narrowly eking out a win! ...[\(link\)](#)

Disclosures

Presented by the Investment Committee of Lake Street, an SEC Registered Investment Adviser

¹Source – Morningstar, Inc. Corporate Bonds is presented as the iShares iBoxx \$ Investment Grade Corporate Bond ETF. Municipal Bonds is presented as the iShares National Municipal Bond ETF. High Yield Bonds is presented as the iShares iBoxx \$ High Yield Corporate Bond ETF. 10 Year Treasury refers to the valuation of a 10 Year Treasury Note, a debt obligation issued by the U.S. Department of the Treasury. Fed Funds Target represents upper limit of the federal funds target range established by the Federal Open Market Committee. Inflation Rate provided for the purposes of this report by the U.S. Bureau of Labor Statistics. Unemployment Rate calculated by the U.S. Bureau of Labor Statistics. WTI Crude Oil refers to the price of a barrel of West Texas Intermediate (NYMEX) Crude Oil. Gold – Spot Price relates to the valuation of an ounce of gold, as traded on the NYSE Arca Exchange. U.S. Dollar refers to the U.S. Dollar Index (DXY). All Returns are denominated in USD (United States Dollar), unless otherwise explicitly noted.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Diversification does not ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful. Investing involves risk and you may incur a profit or a loss.