



The Etergino Group

Connecting Wealth with Purpose

Edition 468 | August 31, 2020

The Markets

The stock market rallies like it's 1986.

August has been a good month for stock investors. At the end of last week, the S&P 500 Index was up 6.8 percent for the month. The Index is poised to deliver its best returns for the month since 1986, when it gained 7.1 percent, reported *Financial Times*.

The performance of U.S. stock markets is remarkable, in part, because, so far, company earnings – the profit that publicly-traded companies earn and report each quarter – haven't been great in 2020. Earnings were down 31.9 percent during the second quarter of the year, reported *FactSet*. The decline in earnings reflected the impact of coronavirus closures.

Weak second quarter earnings had little impact on U.S. stocks, however. Instead, investors appeared to focus on 'upside earnings surprises.' That term is used to describe companies with earnings that exceed analysts' expectations. During the second quarter, 84 percent of companies in the S&P 500 beat analysts' estimates.

FactSet reported other factors have been cited to explain the upward trajectory of stock markets, as well. These include:

- Improved earnings sentiment
- Expectations for additional fiscal stimulus
- Optimism about coronavirus treatments and vaccines
- Fear-of-missing-out (FOMO) as the market moves higher

The list should also include the Federal Reserve's strategy for inflation and employment, which was announced last week. Randall Forsyth of *Barron's* reported:

"In practical terms, the central bank's current policy of near-zero interest rates and heavy purchases of Treasury and agency mortgage-backed securities will continue as long as unemployment remains elevated. The chasm between a Wall Street at record levels and a Main Street in a near-depression will persist as a result."

Last week, the Standard & Poor's 500 and Nasdaq Composite Indices chalked up a fifth consecutive week of gains, while the Dow Jones Industrial Index moved into positive territory for 2020.

Data as of 8/28/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.3%	8.6%	21.5%	12.8%	12.0%	12.8%
Dow Jones Global ex-U.S.	2.0	-3.7	8.5	0.6	3.5	3.0
10-year Treasury Note (Yield Only)	0.7	NA	1.5	2.2	2.2	2.6
Gold (per ounce)	1.7	28.5	27.3	14.1	11.5	4.6
Bloomberg Commodity Index	2.4	-9.6	--5.2	-4.3	-3.9	-5.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

COULD YOU PASS THE AMERICAN CITIZENSHIP TEST? It's not easy to become an American citizen. In fact, newly-minted citizens may know more about the history of the United States than many of us who were born here. In 2018, a national survey reported just one-in-three Americans scored 60 percent or better on a multiple-choice test that included questions from the U.S. Citizenship Test.

See what you know about the United States by taking this brief quiz:

1. What does the Constitution do?
 - a. Defines the government
 - b. Sets up the government
 - c. Protects basic rights of Americans
 - d. All of the above

2. Name one of the two longest rivers in the United States.
 - a. Mississippi River
 - b. Colorado River
 - c. Ohio River
 - d. Rio Grande River

3. What did Susan B. Anthony do?
 - a. Founded the Red Cross
 - b. Made the first flag of the United States
 - c. Fought for women's rights
 - d. Was the first woman elected to the House of Representatives

4. Which statement correctly describes the "rule of law?"
 - a. The law is what the president says it is
 - b. The people who enforce the laws do not have to follow them
 - c. Judges can rewrite laws they disagree with
 - d. No one is above the law

5. When was the Constitution written?
 - a. 1492
 - b. 1776
 - c. 1787
 - d. 1865

6. Name your U.S. Representative.

Weekly Focus – Think About It

"When humor goes, there goes civilization."

--Erma Bombeck, Humorist, writer, columnist

Quiz Answers:

1. D – All of the above (Defines the government; Sets up the government; Protects basic rights of Americans)
2. A – Mississippi River
3. C – Fought for women's rights
4. D – No one is above the law
5. C – 1787
6. Look up your representative at <https://www.house.gov/representatives/find-your-representative>

Best regards,

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- *Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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