



Wealth
Management

The Crescent Group

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October 2020 Monthly Commentary

As we began writing this commentary, news broke that Pfizer's covid-19 vaccine candidate has shown 90% effectiveness in immunizing against the virus on the basis of preliminary data. We agree with Pfizer's CEO in calling November 9th "a great day for science and humanity." The announcement is all the more significant because scientists did not expect the vaccine to reach 90% efficacy. According to CNBC, scientists had hoped for a vaccine with 75% efficacy, while White House coronavirus advisor Anthony Fauci said that a vaccine with 50% to 60% efficacy would be acceptable. Without a doubt, this news is a game changer for our health, our society, and the global economy⁽¹⁾.

This preliminary vaccine data carries large implications for investment markets. Even if the final efficacy of the vaccine declines somewhat, the data imply a vaccine with far greater efficacy than expected, and this means the world will return to normal social activities sooner than expected at a greatly reduced risk of spreading the virus. What we have seen in the two days following the vaccine announcement is a large shift in financial markets. Funds have flowed from investments that have benefited from a lack of face-to-face human interaction and into investments that will benefit from a return to historically traditional face-to-face interaction. While speculators will always attempt to trade in and out of investments on the basis of what has done well recently, our Group takes a different approach. **Months ago, we started placing client funds in investments that would benefit from the passing of the virus because we knew the pandemic represented a significant but temporary event that allowed us to buy quality investments at attractive prices.** This long-term thinking allowed our clients to benefit substantially from the vaccine announcement. We expect continued good results from investments that will benefit from the reopening of the economy as the Pfizer vaccine and potentially others obtain FDA approval and allow our society to return to normalcy⁽²⁾.

It's rare to have two major events drive investment markets during one month but we had exactly that in the form of U.S. elections. **In last month's commentary we counseled our clients to ignore the potential impact of U.S. elections on their investments and remain invested. We never expect immediate validation of our views, but we**

happily report that our advice has proven correct as we write this commentary.

U.S. stocks started moving up immediately after the elections as it appeared congressional control would remain split between Democrats and Republicans in the House and Senate – the U.S. stock market likes it when there's less opportunity for major legislative changes. Additionally, the uncertainty brought about by Trump administration challenges to the election have not caused market turbulence – U.S. stocks continued to rise in the days after the election. The recent market turbulence has resulted from the vaccine news, which we discussed above. We mentioned in last month's commentary that it would be a mistake to simply look to the Bush / Gore 2000 contested election for any insight into how U.S. stocks would react to a contested election in 2020. Thus far, our view has again proven correct. While U.S. stocks declined during the contested 2000 election, the decline was driven by the early stages of the technology bubble bursting as well as the beginning of a recession. This year, we find ourselves in the early stages of a recovery from a recession, and stocks tend to increase during such time periods. And again, vaccine news has driven stock market turbulence more than election factors⁽³⁾.

This month's news of a powerfully effective covid-19 vaccine reinforces the sense of optimism our Group holds as we look to the future. The U.S. remains in the early stages of an economic recovery that has outperformed expectations of almost every single metric over the past eight months. Regardless of who prevails in the presidential election, our legislators will likely provide another stimulus package to benefit the recovering economy – both political parties support this. And finally, all of us will soon be able to once again enjoy the communal activities we once enjoyed without fearing the health impact of coronavirus. Our Group will continue to work to position our clients to take advantage of America's economic resilience to help drive the success of your financial goals.

Best Regards,

The Crescent Group

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Sources:

- (1) CNBC
- (2) Barron's
- (3) The Wall Street Journal

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