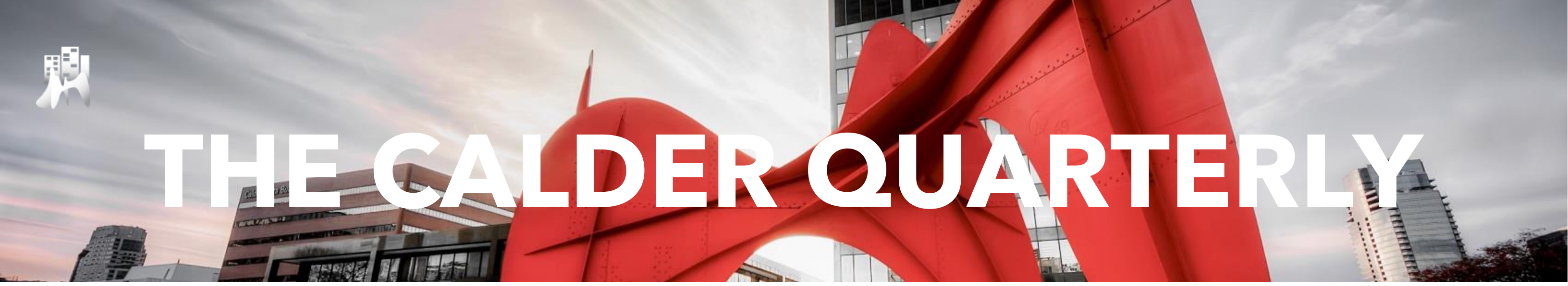

THE CALDER QUARTERLY

October 1, 2020

The markets remained resilient through the end of September. Following four straight weeks of losses, all major market indexes are positive year-to-date. Specifically, the S&P 500 remains at a positive 3.5% through the 3rd quarter. The following sectors, Technology (26%), Consumer Discretionary (21%), and Consumer Services (7%), have all generated positive YTD returns. Current unemployment has fallen to just below 8%. The economy has returned approximately half of the payrolls lost at the start of the pandemic. Certain economic indicators such as consumer spending, manufacturing demand and durable-goods growth point toward an economy that is recovering.

The quarter was not without its challenges. The Billy Joel song "We Didn't Start the Fire" rings in our heads. Government stimulus, Supreme Court nominations, elections, coupled with the COVID calamity continue to create commotion and noise. One concern is that while some economic indicators are improving, they are experiencing it at a slower pace than we would like to see. Although stock market indexes are positive, some sectors, Energy (-48%), Financials (-22%), and Real Estate (-8%), have suffered year-to-date. Disney announced that 28,000 furloughed workers would permanently lose their jobs. American and United Airlines cut more than 35,000 jobs. Positive sentiments in the housing sector have waned. Housing starts slowed to 0.9% below the July 2019 numbers and 0.01% below the August 2019 numbers. Furthering the concern, lumber prices have slipped into backwardation pricing, where future bundles are being priced at discounts to current prices. This may foretell weaker demand. All the economic stimulus and early access to retirement accounts pushed CPI upward. This data lends itself to the growing concern that inflation will rear its sleepy head.

Continuing coronavirus challenges persist as well. The coronavirus has claimed more than 200,000 lives in the U.S. Although the number of reported cases in the U.S. has leveled off, hotspots are reemerging in the Midwest and even in New York City. The U.K. is planning for a second shutdown. France recently reported its highest number of daily cases. Many are still fearing winter flu season is upon us and the dreaded "second wave" will be inevitable.

Interest rates remain at historic lows and the dollar continues to weaken. As we write this newsletter, the current 30-year mortgage rate is at meager 2.25%! The debt markets are so starved for yield that investors have been willing to accept a 30-year bond with a paltry yield of 1.3%. The demand is further illustrated by the +25% total return of the long bond.

We do believe there are pockets of the market that continue to signal opportunity. We believe value-oriented companies, specifically in the international value sector, look to be positioned for strong positive future returns. Antithetical to this, growth companies, globally, continue to price at historically high multiples. It is our belief that returns will be more pronounced in the value sector in the near term.

Our investment portfolios currently reflect these sentiments. Please feel free to reach out to us to review this unique situation. Stay safe.

Market sector annualized returns-
Last 3 years as of 9/30/20

	Value	Growth
Large Cap	4.0%	18.8%
Mid Cap	-2.1%	6.9%
Small Cap	-4.6%	3.3%
International	-6.1%	6.8%

THE CALDER TEAM

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