

Fall 2020

Client Newsletter

"These are the times that try men's souls...What we obtain too cheap, we esteem too lightly."
Thomas Paine



**I Along with many, I want to know- Is 2020 over yet?
I have officially diagnosed myself with '2020 fatigue'.
But now that Fall has arrived, 2020 is almost over!**

Be honest, without a vaccine for COVID-19, did you think that the market would recover this quickly? I know that many of us are in disbelief, and there are plenty of pundits who will tell us that the 'recovery' is artificial or illegitimate. Is it? How can we understand or explain the stock market rising over the summer despite all the turmoil and uncertainty? I would like to share a few thoughts on that.

Weston Wellington at Dimensional Fund Advisors recently wrote an article called *'Is the Stock Market Divorced from Reality?'*

With the backdrop of a global pandemic, regular riots and protests, entire industries shutting down and of course the political craziness leading up to the election, how can stock prices be flirting with new highs?

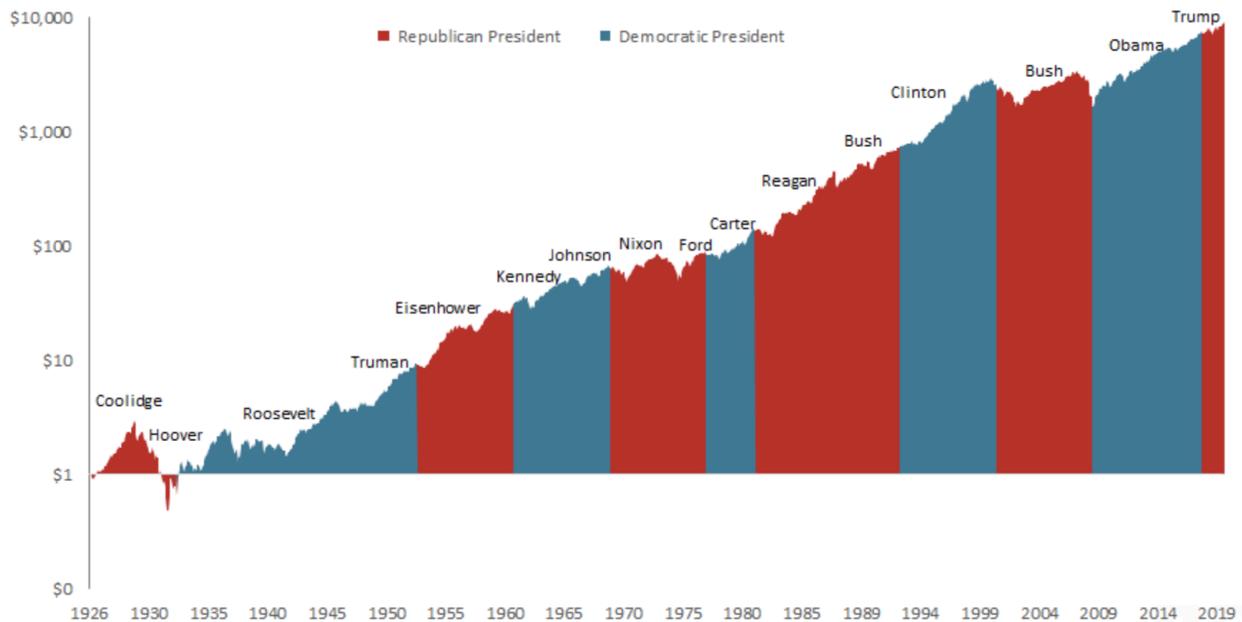
Wellington reminds us that the stock market is a mechanism that reflects the opinions of millions of investors from around the globe. In addition, stock prices reflect what investors think may happen in the future. That means prices can rise even though today's news is discouraging. Do we have a vaccine today? No, but nearly everyone expects that we will in the future and that gets baked into the market. The market is forward-looking.

Many industries are struggling and may never recover. But new industries are springing up and companies are being forced to figure out how to innovate and stay relevant and competitive. For every company that experienced a huge drop in earnings, we can find one that exploded with success during this difficult time. Marriott might be down 30% but Clorox might be up 50% (this was true recently... stock prices change daily). The domestic market does not move in lockstep and global economies do not move in

lockstep either. Once again, that is why we work so diligently at building and maintaining highly diversified portfolios.

The election is only a few weeks away. Expect more craziness. Expect turmoil and uncertainty. Expect the market to go up and down. Just like it always has and always will.

If you are worried what might happen to the market if your preferred candidate does not win, you may be encouraged by the following chart.



If you have any questions or would like to schedule a call to review your portfolio, please contact our office.

Best regards,
Rich

Rich VanderSande
Smart Stewardship Advisors
richv@smartstewardship.com
224-256-2980

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www.smartstewardship.com

All investing involves risk. Past performance is not indicative of future results.