



**KELLEHER  
FINANCIAL  
ADVISORS**



## **Assessing the Current Landscape**

It has now been 7 months since the US has entered pandemic-induced shutdowns. The dollar continues to decline. Spikes in coronavirus across the world present a growing market risk. Lack of a new fiscal stimulus package is hurting the US economy as without one consumer spending will take a hit; millions of individuals and thousands of businesses will face bankruptcy. Add to this mix the uncertainty of the November elections in both voting and results. Challenging is indeed an understatement!

The third quarter of 2020 continued the record “bounce” in stock prices from the abysmal spring investors experienced leaving most of our clients’ asset prices at or slightly above where they began the year in 2020. However, the performance rebound has not been equal across all stocks and technology holdings remain the biggest gainers from March lows.

For the short term we believe volatility, much of it driven by investor emotions, will carry the day up and through the election and most likely in the immediate aftermath. In short, the higher the likelihood for a contested election, the more volatility is to be expected in the range of +/-10% swings and potentially greater. Although selling pressure may push the markets further down, we do not think it will be prolonged. Conversely, the wider the margin of victory in the upcoming election (on either side) the more likely it is for calmer markets. In short, the market does not like uncertainty and investors should brace for some stormy seas, at least in the short term.

And with these challenges come opportunities. We believe that Covid-19 has been the single largest trend accelerator in a generation. Whatever that trend may be, good, bad, etc. they are moving faster. For many, 5 months has represented what would have taken 5 years in decision making, particularly in more urban areas. As Covid-19 reached peak levels in many states earlier this year, people were forced to make dramatic changes in their lifestyles. Besides wearing protective gear, there was an explosive growth in working from home (WFH) requiring tech-driven communication services; e-commerce deliveries and on-line migration

in entertainment, education, technology and healthcare. In fact, post-Covid-19, LogMeIn is forecasting that 25% of people will remain working from home (1 - 2 days a week as defined by the Bureau of Labor Statistics) as compared to the historical run rate of 5%! **KFA** always looks for companies who are differentiating from the consumer to the WFH trends. There are many emerging companies who are offering opportunities and embracing new and innovative technologies.

“Connected Consumer” became the byword for the spring into summer for companies focusing their products and tech on growing consumer capabilities for in-home entertainment, online education, telemedicine and virtual and digital social interaction. Companies such as Zoom, Netflix, Peloton and, of course, Amazon saw tremendous growth. We at **Kelleher Financial Advisors** believe this movement is not a short-term gain, but a long-term trend as people become more comfortable with the migration to on-line and feel more secure in sharing their personal information.

On-line education has already shown a projection of growth from \$8.4b in 2020 to \$33.25b by 2025 (source: Research and Markets.) The video-streaming market (Netflix, Hulu, et. al.) is projecting a CAGR (Compound Annual Growth Rate) of 20.4% from 2020 to 2027 (source: Grand View Research.) Telemedicine, which is perhaps the newest of these connected consumer features, is projecting an expansion of 64.3% this year alone and a CAGR of 38.2% by 2025 (source: Frost and Sullivan.)

Quality growth investments and safe harbor cash remain the key tenants for financial planning flexibility and the capacity for investors to sidestep toxic assets. Specifically, we continue to advocate working with equity sub managers whose philosophies are to invest in the world’s best companies that maintain powerful balance sheets built to withstand the inevitable storms we’ll encounter in the coming months and years. In addition, we seek investments with strong free cashflows and enduring competitive advantages to be the hallmarks of our holdings for the long-term capital appreciation of client assets.

All of these developments impact what the “new normal” is and will be, holding tremendous potential for investors. There is a well-known quote, “There is nothing permanent but change” and with information and responsible guidance, we can be ready for it.

I wish you all good health and, as always, please feel free to contact me with any of your financial questions.

Warmly,

A handwritten signature in cursive script that reads "Colleen Kelleher Sorrentino". The signature is written in black ink on a light-colored background.

Colleen Kelleher Sorrentino

<b>Index</b>	<b>Change Y-T-D September 30, 2020</b>
<b>Dow Jones Industrial Average</b>	<b>-2.1%</b>
<b>S/P 500</b>	<b>+5.3%</b>
<b>NASDAQ Composite</b>	<b>+24.5%</b>
<b>Nikkei Tokyo</b>	<b>-2.0%</b>
<b>China Shanghai</b>	<b>+5.5%</b>
<b>DAX Germany</b>	<b>-3.7%</b>
<b>CAC 40 France</b>	<b>-19.6%</b>
<b>FTSE 100 UK</b>	<b>-22.2%</b>
<b>Gold - \$ per oz.</b>	<b>+24.2%</b>
<b>Crude Oil \$ per bbl</b>	<b>-34.1%</b>
<b>RATE on 10-Year Treasury Bond</b>	<b>0.67%</b>
<b>VIX Volatility Index Change</b>	<b>+95.0%</b>
<b>Source:</b>	<b>WSJ – October 1, 2020</b>

# 3<sup>rd</sup> Quarter 2020 Markets Perspective



by Tom Burnett CFA, Vice Chairman & Director of Research

## **Kelleher Financial Advisors**

Looking at the Performance Table, a casual investor might logically conclude that “not much has happened in the markets this year.” The Dow Jones Average is down a small amount and the S/P 500 Index is up a little through September. The real Market story, however, is much different.

The nine- month figures mask the severe decline in March-April and the dramatic recovery from the March lows. The sudden impact of the Covid-19 virus outbreak on the global economies ignited investor fears and uncertainties which caused the sell off from the high February levels. Then, an equally unexpected rally ensued which took the S/P 500 Index and the NASDAQ Composite to all-time record high levels.

Corporate earnings suffered material declines in the second and third quarters, but analysts now expect a strong recovery in 2021. The fiscal stimulus package along with the easing monetary policies of the Federal Reserve helped raise

investor confidence and led to the Market's record-breaking achievement. Commodities painted a mixed picture with gold and silver (+31.4%) showing strong positive performance and crude oil weakened to single digits in April before recovering to \$40 level at the end of September.

Investors face many difficult uncertainties led by the November Presidential election and the continuing China-U.S. trade conflict. There is no single answer to investment success, but quality companies held over the long term continues to be a credible approach reinforced by the strong market recovery off the recent March low levels.

## **Kelleher Financial Advisors Events**



### **Post-Election Perspective Webinar**

**Friday, November 6, 2020**

**Colleen Kelleher Sorrentino, CFA, Chief Investment Officer of KFA** will be speaking on the election results and its impact on investing.

[RSVP](#)



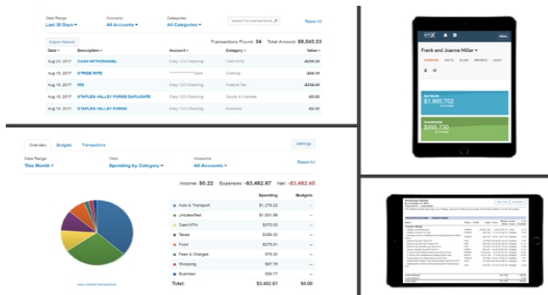
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**100 Wall Street, 8th Floor**  
**New York, NY**

For more information, call us at: **212-232-5685** or visit us at: **www.kf-advisors.com**

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