Ethel's Diamond Post

Reset Button: Fourth Attempt

Welcome to another edition of ***Ethel's Diamond Post***! This newsletter aims to digest current events and provide investment perspectives on the economy, capital markets, and political rhetoric. Unfortunately, this is my fourth attempt to complete this editorial due to the continuous plethora of current events shaping the world. Do you feel like you are riding a never-ending rollercoaster? Can we agree that the pandemic environment has changed the very core of our essence? Anytime many employees work from home, students learn by video conferencing, and professional athletes are quarantined in a bubble to stay well – this is not normal. COVID-19 has forced us to stay home and reorganize our lives in unimaginable ways. By far, the current investment landscape is the most unusual period in my 32-year career in the financial arena. Yet, we rise to the occasion – Americans are resilient, and the stock market is too.

At the height of the COVID-19 induced panic in March, few imagined the market would recoup all its losses within five months. The S&P 500 Index hit a new high on August 18th and continued to trend higher until September 3rd when all hell broke loose. Yet, ***VZD Capital Management, LLC,*** continues to benefit from the "stay-at-home" companies during this season of economic insecurity. We have enjoyed welcoming many clients to the millionaire and ultra-millionaire club for the first time despite the pandemic environment. While it is common for markets to recover before the economy, the market has jumped more than 50 percent since March. Many investors question the stock market's validity and are concerned that a deep correction is right around the corner. Given the exceptionally low-interest-rate environment, the stock market looks attractive relative to the fixed income market.

In the wake of the best quarter for stocks in more than 20 years, clients ask us about buying opportunities and how to mitigate risk tolerances. The facts are that the economy is in a recession, corporate earnings have disappointed the Street's expectations, and stocks are expensive relative to historic and future growth predictions. The three major indices closed out September lower, with the S&P 500, NASDAQ, and the Dow Jones Industrial posting their worst September since 2011. The S&P 500 posted its best third-quarter advance since 2010 with a rise of 8.5 percent, led by the consumer discretionary, Internet, and the direct-marketing retail industry sectors. Now into October of an election year, market performance is being driven by the intrinsic value of political outcomes. With election season raging on, it appears we are witnessing one of the most unprecedented political seasons in at least my 57 years of life. The economic and political situations at the hands of the pandemic remain dire. The bottom line is to ***Vote***!

We do not possess any special knowledge of the virus but think the post-COVID premise is debatable. The infection rate and resurgence of the pandemic across the United States, Central, and South America do not support the notion of a rapid resolution to the economic crisis. Of course, economic outcomes are partly dependent on the disease's progress and steps to mitigate it. Unfortunately, as we advance, we might see behavioral changes across many social and economic dimensions, including consumption, labor, and lifestyle. High levels of unemployment, coupled with corporate and small business bankruptcies will likely complicate the recovery as well. Given this potentially prolonged hit to economic growth, along with the possibility of a change in presidential leadership, the question becomes where to invest now? Companies with solid long-term growth prospects are equipped to ride out the downturn. Some companies are finding more opportunities during the pandemic – we have seen recent initial public offerings from companies like ***Zoom, Grub***, and ***Beyond Meat*** that are turning the corner due to the demand for products and services to assist with this tumultuous journey.

Furthermore, President Trump falling ill to COVID-19 made people nervous as to the severity of this virus. In uncertain times, people tend to underestimate their risk tolerance when times are good and move money into cash to avoid volatility. In essence, they are trying to time the market, which generally does not turn out too well. Spooked retail investors wind up selling at lows, after buying at highs. They then face another decision – when to buy back in and wind up sitting on cash and missing out on the market gains. We advise not reacting to upcoming expected or unexpected events but focusing on the long term. While October can be volatile for stock markets, they do not always end on a down note.

Black Monday and Black Tuesday were on October 19th, 1987, and October 29th, 1929, respectively, making October a historically volatile month. In addition, October, in the years of United States elections, can be bumpy. Another reason for heightened volatility is that mutual funds and portfolio managers are locking in gains and harvesting losses before year-end for income tax purposes. Remember, the next few weeks will contain the typical white noise of campaign overload before the election. Please do not get caught up in the election hype. Everyone lies to a certain extent to capture the win. Once the vaccine and the pandemic fears fade in 2021, we will see a significant lift in the recovery process. Professionally speaking, I believe the stock market is looking forward to the resurgence of normalcy standards regardless of who takes the White House.

We look forward to keeping our clients informed but not overloaded on speculation because the number one priority for us is **YOU**! Our forecasts will not always be right 100 percent of the time. Still, the transparency, a high level of monitoring, and personal attention to every account are our value propositions - no matter how many zeros in the account balance.

Please take the time to visit our new and improved website – www.vzdcap.com. Next, we are excited to be recognized by **Expertise** (www.expertise.com/mo/kansas-city/financial-advisors as a member of the **18 Best Kansas City Financial Advisors**. The Five Star Professionals have named **Ethel J. Davis** as a **5-Star Wealth Manager for 2021**. These prestigious awards belong to the individuals and multi-generational families who put their trust and confidence in our boutique firm. Thank you for allowing us to be part of your legacies.

Stay well and know that the best is yet to come – for this too shall pass, and when it does, we have complimentary hugs for all.

With Gratitude,

Ethel, Nikisha, Michelle

P.S. Please send back your 2020 Compliance forms, including the Acknowledgement Form and Letter of Due Diligence, regarding our policies. Our hours of operation are 8:30 am - 5:00 pm – Monday through Friday. There are no weekend hours. We are happy to accommodate our clients based upon the current recommendations surrounding the pandemic environment. Please do not send text communications regarding any investment or service requests – we require a call to (816) 726-7066. Thank you in advance for your cooperation in ensuring your privacy and electronic safeguards are in place to control any scams or technology breaches.