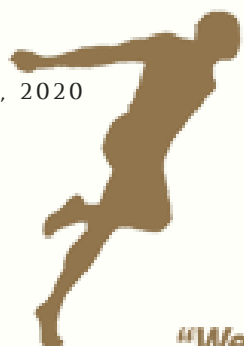


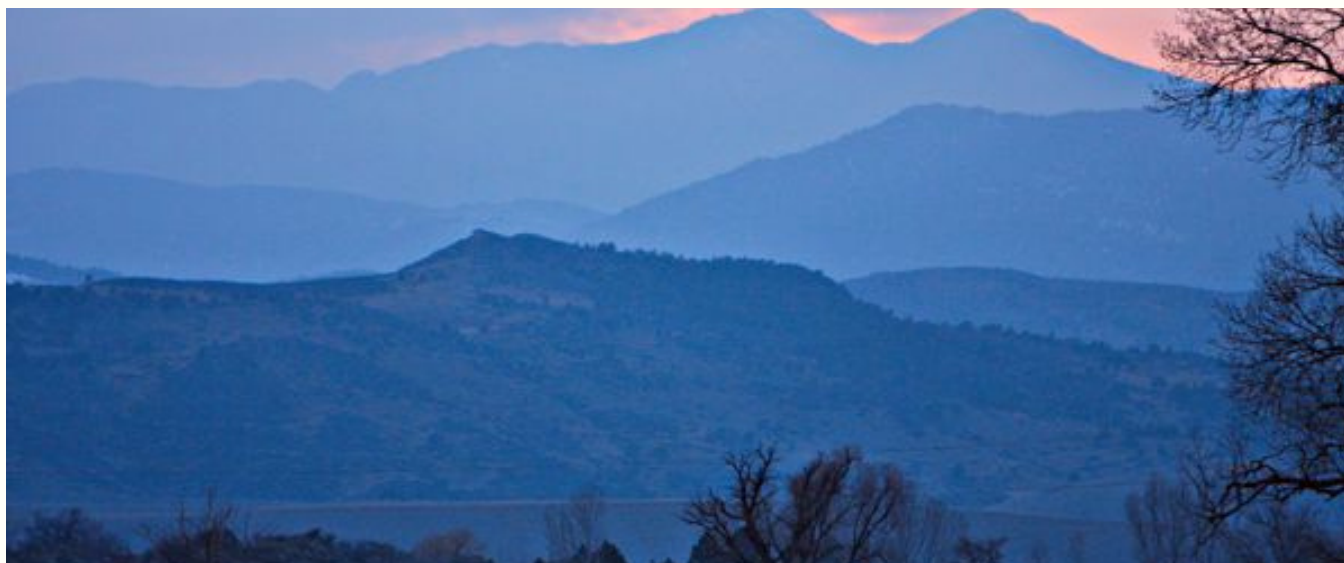
NOVEMBER 1, 2020



Marathon Investment Management

"Wealth-building for the long run"

Marathon Investment's Monthly Newsletter



Good Numbers, Bad Numbers

By George Gumbiner

The last week and month of October, were the worst performers since March. For October, the Dow Jones Industrial Average (DJIA) closed down 4.6% to 26,501. Along with the DJIA, all three major indices suffered losses of more than 2%, their second consecutive month of declines. Consider the following:

Index	Sept Close[1]	Oct Close[2]	%Year-to-Date[3]
DJIA	27,78	26,501	-7.1
DJ Transportation Avg	11,229	11,106	1.9
DJ Utility Avg	81	85	-2.4
DJ TotalStockMarket	34,305	33,541	1.5
NASDAQ Composite	11,167	10,911	21.6
S&P 500	3,36	3,269	1.2
S&P MidCap 400	1,861	1,900	-7.9
Russell 2000	1,507	1,538	-7.8
DJ Global ex. U.S.	246	241	-8.5

[1] [Wall Street Journal](#), Market Digest p.B7 10/1/20

[2] [Wall Street Journal](#), Market Digest p.B7 11/1/20

[3] [ibid.](#)

[4] www.wsj.com Track the Markets 11/1/20

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Of the 11 sectors of the S&P 500, the information technology sector was the worst performer.

The price change of the tech sector dropped 5.2% followed by energy down 4.7%.[1] What often has a dramatic rise, can have the reverse movement – even with reporting record sales such as Apple Inc, Amazon.com, Facebook, and Alphabet Inc.[2] Due to a resurgence of COVID-19, England joined other major European economies for a second national shutdown and their respective stock markets fell accordingly. From Thursday November 5 through December 2, British Prime Minister Boris Johnson announced the lockdown will restrict all activity except essential businesses, schools, and universities.[3] IHS Markits reported shrinkage in its composite purchasing managers index for the eurozone for September – its first monthly drop since June.[4] The French government forecasted a contraction of 11% for 2020.[5]

[1] www.marketwatch.com These are the worst-performing stocks in October 10/30/20

[2] Ibid.

[3] www.barrons.com Market Set for Strong Reaction as England Joins France and Germany 10/31/20

[4] Wall Street Journal U.S. Economies Actively Picks Up White Virus Surplus is Europe p.A3 10/24/20

[5] www.marketwatch.com Dow Records Worst Month Since March 10/31/20

Among international indices (% best to worst), please note the range of returns:

Index/Nation	Year-to-Date
Shanghai Composite/China	5.70
Taiwan Weighted/Taiwan	4.60
Kospi/S. Korea	3.20
Nikkei Stock Market/Japan	-2.90
S&P BSE Sensex/India	-4.00
S&P/TSX/Composite/Canada	-8.70
DAX/Germany	-12.80
Hang Seng/Hong Kong	-14.50
Bovespa Index/Brazil	-18.80
Tel Aviv 35/Israel	-21.00
FTSE 100/ U.K.	-26.10
IPSA/Chile	-26.90
IBEX 35/Spain.	-32.40

"Keep your face
always toward the sunshine
and shadows will fall
behind you."

- WALT WHITMAN



Recent Developments in the Financial Markets

- Weekly jobless claims – U.S. workers seeking unemployment benefits fell by 40,000 to the lowest level since March for the week ending October 24.[1]
- For October the Institute for Supply Management (ISM) manufacturing index saw its best number since August. New orders jumped to their highest level in nearly 17 years.[2] The index indicates expansion in the overall economy for the sixth month in a row.[3]
- The U.S. economy expand at a record 33.1% annual pace in the third quarter as the government injected more than \$3 trillion into the economy.[4]
- Consumer spending skyrocketed by a 40.7% annual clip –about double the previous record set shortly after World War II.[5]
- With 86% of S&P 500 companies reporting, 81% have a positive revenue surprise and 86% of S&P 500 companies have reported a positive EPS surprise.[6]
- Total nonfarm payroll employment rose by 661,000 in September, and the unemployment rate declined to 7.9%.[7]

- Productivity increased 10.1% in the non-farm business sector in the second quarter of 2010.[8]
- Overall durable goods orders jumped 1.9% in September. Core capital goods orders have pulled above their pre-pandemic level.[9]
- The Leading Economic Index reported 0.7% gain in September following a 1.4% increase in August. [10]
- The GDPNow, a report through the Atlanta Federal Reserve, is based on the most current economic data available. The running estimate for the fourth quarter GDP is a gain of 3.4% as of November 2nd.[11]
- Retail sales rose in September 1.9%, for the fifth month in a row.[12] Americans bought more clothes, ate out more, and purchased new cars and trucks.
- The median prices of an existing home sold in September was \$311,800.00, a 14.8% gain in one year.[13]

[1] [www.dol.gov/Unemployment Insurance Weekly Claims](http://www.dol.gov/UnemploymentInsurance/WeeklyClaims) 10/29/20

[2] [www.ism.gov/Manufacturing PMI](http://www.ism.gov/Manufacturing/PMI) of 59.3? 11/1/20

[3] Ibid.

[4] www.reuters.com U.S. Economy posts record growth 10/29/20

[5] www.marketwatch.com GDP soars by a record 33.1% annual pace 10/29/20

[6] www.factset.com Key Metrics 10/30/20

[7] [www.bls.gov Economic News Releases](http://www.bls.gov/EconomicNewsReleases) 10/30/20

[8] Ibid.

[9] www.reuters.com U.S. core capital goods orders increase solidly 10/27/20

[10] www.conference-board.org News Release 10/22/20

[11] www.gdpnow.org Model Description 11/2/20

[12] www.marketwatch.com U.S. retail sales surge 1.9% 10/16/20

[13] www.cnbc.com September Existing Home Sales Jump 9.4% 10/22/20



The two "elephants in the room" - ones that can slow the U.S. and ...

in fact global economies -are the skyrocketing debt and the waves of COVID-19 here and abroad.

The U.S. budget deficit tripled to a record \$3.1 trillion in the fiscal year ending September 30.[1] As a share of economic output, the budget gap in fiscal 2020 hit roughly 16.1%, the largest since 1945.[2] In fact, Federal debt exceeded GDP – the first time the debt became larger than the size of the economy for a fiscal year in more than 70 years.[3]

As of month end, the U.S. national debt stood at \$27.2 trillion or \$82,275 per citizen and \$217,934 per taxpayer.[4] With unfunded liabilities total debt rises to \$84.8 trillion.[5] Current interest on U.S. debt is \$341.6 billion – as of October 30th. Fortunately, 10-year T-notes closed with a 0.87% yield and the 30-year T-bond closed with a 1.66%.[6] Whoever wins the current election will be faced, along with Congress, a number of very hard choices to navigate us through a pandemic and economic recovery, and then make sure our debt does not become unmanageable.

From what we read, the U.S. and other nations have literally no plan in place to control debt.

The good news regarding COVID-19 is there are researchers currently testing 48 vaccines in clinical trials on humans, and at least 88 preclinical vaccines that are under active investigation in animals.[7] Eleven vaccines are currently in phase 3 or large-scale tests on thousands of people in this final phase of testing.[8]

Operation Warp Speed, a partnership including the Department of Health and Human Services (HHS), the Center for Disease Control (CDC), the National Institute of Health (NIH), the Biomedical Advance Research and Development Authority (BARDA), and numerous other agencies and private firms have been investing and coordinating the development of countermeasures such as vaccines and therapies. The partnership goal is to produce and deliver 300 million doses of safe and effective vaccines with initial doses available by January 2021.[9]

[1] WallStreet Journal U.S. Budget Deficit Tripled in 2020 p.A1 10/17/20

[2] Ibid.

[3] Ibid.

[4] www.usdebtclock.org U.S. Debt Clock 11/1/20

[5] Ibid.

[6] www.wsj.com Bonds & Rates 10/30/20

[7] www.nytimes.com Coronavirus Vaccine Tracker

10/27/20

[8] Ibid.

[9] www.HHS.gov Coronavirus 10/15/20



Going Forward

I love this business. Marathon has been our home for approaching two decades – personally I have worked in finance since graduation December 1977. Very rarely if ever, is the “economic crystal ball” clear and this is the challenge and the pleasure, we at Marathon face every day.

What should an investor do now? We read never-ending reports anticipating a U.S. stock market crash. The world is faced with a disease without a cure along with government shutdowns. What is called the “New Monetary Theory” which we feel is spending without accountability, and it seems to be the status quo in Washington as well as capitals abroad.

And it is election time.

We suggest you (and us) always keep facts and figures in perspective. Every year we face challenges. Generally, economic negativity is a contrarian positive. But consider all the unknowns. What should we do now?

The quick answer is we and no one else knows what to do short term, so maybe the best answer is to just stay put. As we often write, stocks tend to climb regardless of who is in the White House. For the trailing ten years ending October 9, the S&P 500 returned 187.26% or an annualized return of 11.2%.[1]With dividends reinvested, the annualized return rises to 13.4%.[2]Markets rise, and markets fall but this is not a zero-sum scenario. The longer answer is do you have a current and comprehensive financial plan – if not give us a call. We are here to help.

Yours,

George Gumbiner

[1] www.dqydj.com The S&P 500 Return Calculator
11/1/20

[2] Ibid.0

"We observe today
not a victory of party
but a celebration of freedom..."

- J.F. KENNEDY
INAUGURAL ADDRESS 1961

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www.MarathonInvestments.com