
OCTOBER 5, 2020 | Q3 | QUARTERLY NEWSLETTER



Marathon Investment Management

"Wealth-building for the long run"



A Different Format

Overview

FINANCIAL MARKETS :INSIDE THIS ISSUE:

10 Key Principles for
Financial Success - 4

"Comments are free, but facts
are sacred."
-C.P. Scott

September historically is the weakest month of the year for the U.S. stock markets. This last month was no exception. For September, the DJIA closed 2.3% lower, the S&P 500 dropped 3.9% and the NASDAQ Composite fell 5.2%. All three indices did reach record highs during the first week before reversals kicked in, led by the mega-cap technology issues. On a quarterly basis, the DJIA advanced 7.6%, the S&P 500 rose 8.5% and the NASDAQ Composite finished up 11% - the second consecutive quarter of dramatic gains. The third quarter advances built on the second quarter - finishing the best two-quarter performance since 2009, for both the Dow and the S&P 500. The NASDAQ Composite which rose 45% over the past six months had its biggest two-quarter gain since 2000.[1]

As mentioned, there is some market rotation taking place with the big winners being homebuilders, major consumer-oriented, materials, and industrial companies. Shares of D.R. Horton, Inc and Pulte Group, Inc both jumped 36% in the quarter - benefitting from an epic housing boom.[2]

[1] www.marketwatch.com Stocks Finish Second Straight Quarter of Big Gains 9/30/20

[2] WallStreetJournal.com Stocks Defy the Pandemic in Bullish Quarter p.A1 10/1/20

For the Quarter...

... we saw market rotation by foreign exchanges as well. Please note the following selected exchanges - best to worst for the quarter and year-to-date; and notice significant recovery for several exchanges for the recent quarter.

Exchange/Country	3Q% [1]
Shanghai Composite	7.8
S&P BSE Sensex India	4.0
IBEX 35 Spain	3.3
Tel Aviv Israel	3.2
Hang Seng Hong Kong	2.2
Kospi S. Korea	1.6
TFTSE 100 UK	1.4
DAX Germany	1.1
Nikkei Stock Average Japan	1.1
Bovespa Index Brazil	1.1
IPSA Chile	-0.4

Exchange/Country	Year-to-Date [1]
Kospi S. Korea	7.7
Taiwan Weighted Index.	5.9
Shanghai Composite.	5.5
Nikkei Stock Avg Japan	-0.9
DAX Germany	-2.6
S&P BSE Sensex India	-4.1
Hang Seng Hong Kong	-14.9
Bovespa Index Brazil	-17.3
Tel Aviv 35 Israel.	-19.8
FTSE 100 U.K.	-21.1
IPSA Chile	-25.2

So far this year and for the third quarter, precious metals continue to perform. Year-to-date silver appreciated 31.4% followed by gold up 24.2%.[1] Diesel fuel fell 43.5% and crude oil closed September down 34.1% year-to-date.[2] Gasoline demand in the U.S. has flatlined for much of the third quarter with crude oil closing September at \$40.03 per barrel.

[1] www.wsj.com Track the Markets: Winners and Losers



Outlook

The latest estimate of S&P 500 corporate earnings outlook is a drop of 21.0%. If 21.0% is the actual decline in earnings, it will mark the second largest year-over-year decline in earnings since the second quarter of 2009.[1]

Jobs Report

On October 2nd, the news was dominated by the latest jobs report. The U.S. created 661,000 new jobs in September and the unemployment rate fell to 7.9% - its lowest level of the pandemic.[2] Included in the net jobs gains was government shedding 216,000 including 34,000 temporary Census workers.[3]

Consumer Confidence

Consumer confidence increased in September according to the Conference Board, after declining in August. Consumer spending, which accounts for more than two-thirds of the U.S. economy, recouped nearly 75% of its peak-to-trough decline through July.[4] Spending rose another 1.0% in August.[5] The latest Leading Economic Indicator report showed a gain of 1.2% for August, following a 2% rise for July.[6] cont..

[1] www.factset.com Key Metrics 10/2/20

[2] www.marketwatch.com U.S. adds 661,000 jobs in September 10/2/20

[3] Wall Street Journal More Jobs Momentum

[4] The Epic Times U.S. Economic Fundamentals Remains Solid p.A1 9/23/20

[5] www.wsj.com U.S. Consumer Spending Rose in August 10/1/20

[6] www.conference-board.org News Release 9/18/20

Looking Ahead



Outlook cont..

Existing home sales continued to climb in August, marking three consecutive months of positive sales gains. The latest gain represents a 2.4% increase from July. [1]

New orders for durable goods; long – lasting items that run the gamut from sheet metal to electric generators – rose 0.4% in August from July.[2] The current purchasing – managers index as of Friday registered 55.4 in September, indicating the fourth straight month of expansion.[3] After a GDP 31.7% annualized rate plunge in the second quarter, a sharp recovery is anticipated by the Federal Reserve Governor Thomas Barkin for the third quarter. In fact, Fed Governor Barkin stated this year's recession started March 15 and ended in June or July.[4] The current running estimate of the Atlanta Federal Reserve estimates GDP growth in the third quarter of approximately 32.0% annualized.[5] We'll see...

[1] www.advisorprospectives.com August Existing Home Sales Highest Since 2006 9/22/20

[2] Wall Street Journal Compiled Spending Plays Catch up p.B14 9/26/20

[3] Wall Street Journal Solid Demand Sustains Factory Upturn p.A2 10/2/20

[4] www.marketwatch.com U.S. Economy is out of recession 9/24/20

[5] www.gdpnow.com

Last month, with big gains and losses, we saw six major indices hit new highs, including the Dow Jones Transportation Average (DJTA), the Dow Jones Total Stock Market, the S&P 500, the NASDAQ Composite, the Russell 1000 and the Russell 3000. As discussed earlier, despite the advances, September finished as it did historically – downward. We are now in the most volatile month according to historic statistics – read 1929 and 1987. Furthermore, we will have a national election in less than a few weeks! Numerous clients have inquired about the political effect upon our economy and our markets.

The fast answer is that when you build an investment strategy for retirement or other long-term goals, ideally you match your investment approach to the length of time it needs to last. Marathon is responsible to capitalize on market weaknesses and strengths, and we have had unprecedented volatility of both so far this year – yet the client's objectives always remain our focus. Client behaviors are heavily influenced by macro-economic developments and market volatility. I am not a golfer, but I know enough not to use a putter to tee off for 200 yards. Drivers are for the long game while putters are for the greens. Investment development and management is similar – short-term obligations and goals are addressed while intermediate and long-term goals and obligations require different tools and methodologies.



Based on history, regarding the upcoming election, market performance under a Republican administration or a Democratic one should be similar. Annualized returns going back to 1900 is nearly identical.[1] Statistics support the view that betting on election outcomes are a risky strategy. Our responsibility to you is to maximize return and minimize your risk, based on your objectives and capabilities.

[1] Charles Schwab Investment Management Key

New Feature!

Access to your Reports and Invoices will now be available via our client portal. Please watch for the email from Stephanie to set up your personalized login.

Closing Thoughts -

We did not know how beneficial the markets – and our clients had it in 2019 – then of course we weren't with the pandemic. We need to remember that household income rose the record highs in 2019, according to the Census Bureau.[1] The median household, adjusted for inflation, is up 9.2% from 2016-2019.[2]

Since December 1994, real hourly wages based on monthly employment reports of the Bureau of Economic Analysis (BEA) through July 2020 has been growing 1.2% per year for production and nonsupervisory workers – within historic norms.[3] The current Consumer Price Index (August) increased 0.4% after rising 0.6% in July.[4] Through August, the S&P 500 over the trailing 10 years has returned 216.71% or 12.21% annualized.[5] With dividends reinvested, the results improve to 285.01% and 14.43%.

Considering market performance, please take to heart 10 key principles for financial success[6]:

1. Know how much you will need to retire
2. Know how much you will need for the retirement as you would like to experience it
3. Determine your tolerance for risk
4. Base your decisions on what's probable
5. Invest in asset classes likely to deliver over the long haul
6. Determine the best combination of diversification to achieve short, intermediate, and long-term needs – “the putter or the driver in golf”
7. Keep your expenses as low as possible
8. Pay as little as possible in taxes
9. Put your investments on automatic
10. Determine the best strategy for withdrawing money from your portfolio

And we might add, give Marathon a call – we are here for you! Wishing you a happy and healthy fall season!

Yours,



George Gumbiner



[1] www.marketwatch.com Why the U.S. economy will soon recover and get back to the good old days of 2019 9/24/20

[2] Ibid.

[3] Ibid.

[4] www.bls.gov News Release 9/11/20

[5] www.dqydj.com S&P500 Return Calculator 9/1/20

[6] www.marketwatch.com 10 Steps to a perfect retirement 3/13/14

"Winning does not always mean being first. Winning means you are doing better than you have done before."

- Bonnie Blair, Speed Skater