



# CONWAY • JARVIS LLC

## Investment Outlook

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### Update

#### **Virus Worries Add to Investor Anxiety**

This week, earnings season maintained its upward trend on the wings of results from Big Tech. While the news was generally favorable and accompanied by a record GDP growth number for Q3, the stock market looked the other direction and lost its purchase on the famous “Wall of Worry”. That’s the term used by investors to describe a rising stock market in the face of distressing headlines. It’s well documented that investors often look beyond the trouble dead ahead to a better future. 2020 has been one of those times, until this week, a week of decline not seen since March. With the election just days away, we’re now getting a full dose of the volatility that prompted us to enter the fourth quarter with an abundance of caution...and an excess of cash that we spoke of in recent updates.

We usually discount the noise emanating from headlines. However this week, the noise on several fronts was too loud for many investors to ignore. The spread of the virus has steepened its trajectory as summer faded and the potential for locking down portions of the economy increased. Combine that with uneasiness over potential fiscal policy changes following the election and the stalemate in Congress over fiscal stimulus, and you have real news that could negatively impact the economy. That’s reason enough for *some* investors to view the sidelines as their Safe Place. The result? A decline of the major averages into correction territory. That Wall of Worry the market’s been climbing is getting a bit slippery.

Uncertainty surrounding the election will hopefully be resolved in a few days and a second stimulus package is almost certain to be launched in the weeks ahead. That will leave the pandemic and the policy response to it as the major source of concern going into next year as millions remain unemployed and a smaller US economy emerges from recession. Whether the market resumes its climb hinges on the US avoiding a fall back into recession in 2021 and returning those people to work.

During this pullback, capital is being reallocated from high priced Big Growth to bargain priced Value/Income stocks. This week’s decline could be viewed as a buying opportunity, but only for those clients who are under-invested. Otherwise, stretching equity allocations to their upper limits at this point would be characterized as a bet rather than investment. We’ll avoid portfolio heroics for now and wait to see where the dust settles next week. Stay tuned.

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