Economic Updates and Outlook



"Cup of Joe"

First and foremost, we hope all of our clients are safe and sound during these crazy times. Over the last month or so, we have been receiving a plethora of questions concerning our outlook on the stock market and the economy, so we felt now was a good time to address some of those questions.

1. **How will the election outcome affect the stock market and our portfolios?**

I heard a great line the other day and thought it would sum up our view of elections and their effect on the stock market over history. "Presidents don't make stock markets; stock markets make Presidents." No matter what political affiliation you are, it is important to know that both Republicans and Democrats want the stock market to go up. This is how Presidents are re-elected. And no one wants the market to perform poorly during their tenure in office. Politics usually creates a lot of noise and not a lot of substance when looking at market fundamentals. Regardless of the winner, we are very bullish on the future trajectory of the stock market as a whole and are only looking to make minor changes to the portfolios.

2.) **How will Covid-19 affect the stock market moving forward?**

We feel that we are a lot closer to a vaccine or therapeutic breakthrough today than the market is pricing in. And because the market is forward looking, (90% of the value of the stock market is based on a year or more out.) we do not believe a second spike in cases would de-rail this bull-market rally from a longer term perspective. Also, with the breaking news of Pfizer's vaccine and efficacy rate over 90%, we are even more bullish on equities. In the event of a new shutdown, we feel any near-term market decline would be a great buying opportunity and short-lived. In terms of a vaccine timeline, we are hearing this could start before year end.

3.) **What are your thoughts on the stock market moving forward?**

With the Pfizer vaccine news hitting the wires and the election uncertainty going away, we are very optimistic over the mid to long term time horizon. Here are some key drivers.

- $5 Trillion dollars in money-market funds waiting to go in.
- A very accommodative Federal Reserve.

- Extremely low interest rates.
- Low gas prices helping the consumer.
- Double the amount of monetary stimulus in the system than in 2008. Over 4 Trillion!
- A very strong housing market and refinance boom caused by low interest rates. This may enable millennials to start buying as well.
- Split government and election uncertainty behind us
- Vaccine on the horizon with great test results from Pfizer
- Second stimulus package coming soon
- Possible student loan debt forgiveness creating a “tax-cut” like scenario for the younger generation

All in all, we feel this market could be setting up to hit all-time highs by year end. We hope all of our clients stay safe as we look forward to a very prosperous holiday season.

-Joe, Ryan, and the Chapel Hill Investment Team

CONTACT US

jsc@chapelhillinvestment.com
rmc@chapelhillinvestment.com

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Chapel Hill Investment Analysts, Inc.
126 Mathews Street, Suite 1600 | Greensburg, PA 15601
P: 724.830.2600 | F: 724.830.2795
www.chapelhillinvestment.com

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