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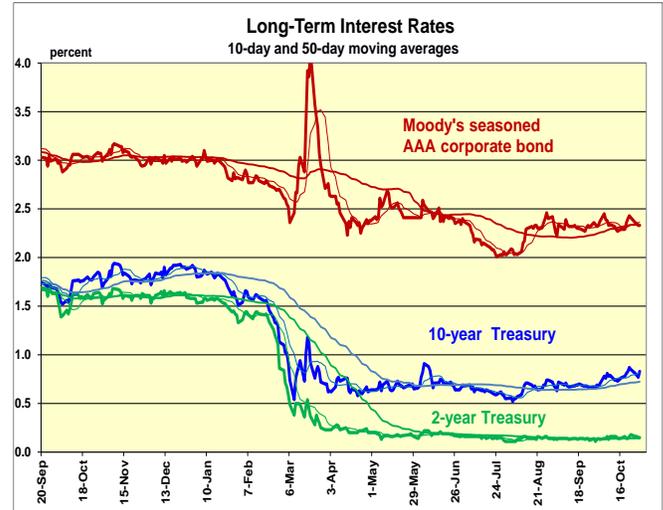
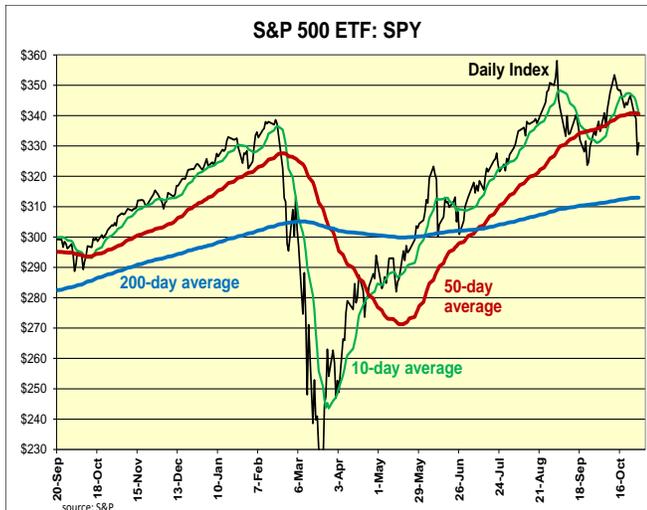
Robert Genetski

The light green color points to a mostly positive trend as the market consolidates prior gains

October 30, 2020

9:00 AM ET

	<u>Fundamental</u>	<u>Actual</u>	<u>Immediate Outlook</u>	
Fixed-income:	10-yr Treasury rate	3.9	0.8	stable
Equities:	S&P 500	3,250	3310	still consolidating
	Dow Jones	29,000	26,659	still consolidating



Market Outlook

Stocks fell sharply this past week in spite of a number of upbeat economic numbers. As the chart above indicates, the up-down, up-down pattern shows a lack of direction.

The latest decline has weakened technical indicators. Most of the key indexes are well below their 50-day averages. The Dow fell 6% this past week bringing its 10-day average below the 50. As the chart above shows, the S&P500 is about to experience the same negative move.

While many claim Covid fears are sending stocks lower, uncertainty over the election is also a likely factor. If Democrats sweep, the prospect of major tax increases would reduce the value of stocks by at least 5%-10%.

Fortunately, it appears both the economy and the election continue to move in Trump's direction. If Trump wins, investors will be able to breath a sign of relief, at least for the next four years.

A Look Back

Yesterday's GDP report shows an impressive recovery from the lockdown. Today's report on wages and spending indicates by September, the economy had recovered to 97% of its previous peak. Wages and salaries were at 97% of their peak and spending was 1½% above its peak.

October data indicate the economy is still going strong.

Weekly initial unemployment claims in the third week of October fell to 751,000, down almost 100,000 from a month ago. The insured unemployment rate fell to 5.3%, down from 8.1% a month ago. Finally, the number of people receiving insured unemployment payments fell to 7.8 million, down from 11.6 million a month ago.

What to expect this coming week

Expect Trump to win reelection.

Forces Impacting the Near-term Outlook for Stock Prices

Economic Fundamentals: **positive**

Stock Valuation: **appropriately valued**

Monetary Policy: **highly expansive**

Stock Exposure: **90%**

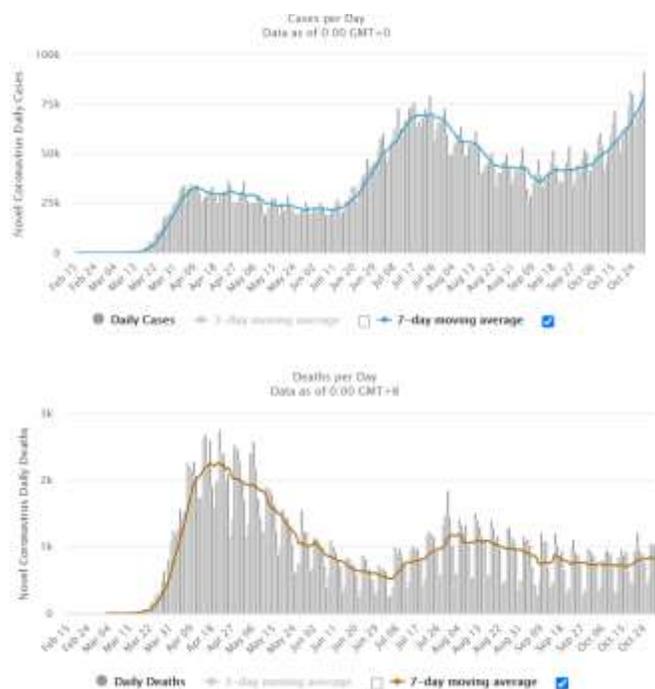
On Monday and Wednesday ISM business surveys for October will show further healthy gains. Last week's advanced Markit surveys for both manufacturing and service companies show the recovery continued at a healthy pace into early October.

Friday's employment report for October should also reflect the gains apparent in other numbers. As the economy continues to recovery, private payrolls are likely to increase by roughly another million workers and the unemployment rate is likely to drop to below 6%.

Covid Cases Higher, Deaths Still Contained

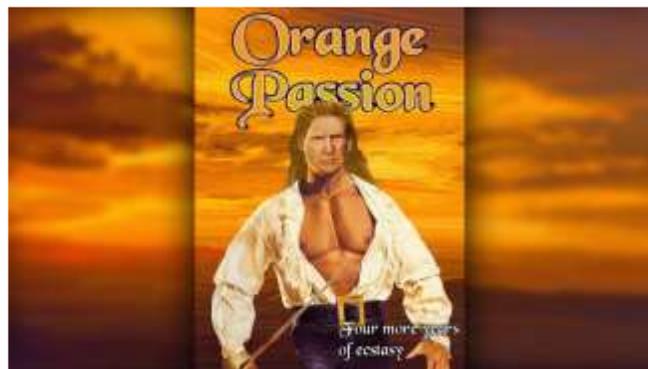
Charts through yesterday show daily Covid cases soaring to new highs. Fortunately, daily death rates show only a relatively slight increase. [CDC data](#) show hospitalization rates through October 17th remain at moderate levels (control click this link and click weekly rate button on CDC website).

As people are learning, well over 99% of those infected have little if any problem dealing with Covid.



The Lighter Side of Political Economy

Trump Tries to Win Suburban Women by Starring in Series of Romance Novels—Babylon Bee



WASHINGTON, D.C.—President Donald Trump has been having trouble lately with one key demographic: suburban women. In a sure bet to win them over, Trump will be starring in his very own series of steamy romance novels. “If there’s one thing suburban women love,” Trump told the press, “it’s a steamy romance novel where women get to imagine themselves with a real winner instead of their loser husbands who remind them of Sleepy Joe.”

Forces Impacting the Near-term Outlook for Stock Prices

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