



Price Returns

Index	Close	Week	YTD
S&P 500 Index	3,477	3.8%	7.6%
Dow Jones Industrial Average	28,587	3.3%	0.2%
NASDAQ	11,580	4.6%	29.1%
Russell 2000 Index	1,638	6.4%	-1.9%
MSCI EAFE Index	1,897	2.2%	-6.9%
10-yr Treasury Yield	0.77%	0.1%	-1.2%
Oil WTI (\$/bbl)	\$40.52	9.4%	-33.6%
Bonds*	\$117.72	-0.2%	6.5%

Source: Bloomberg, FactSet

\*Bonds represented by the iShares U.S. Aggregate Bond ETF

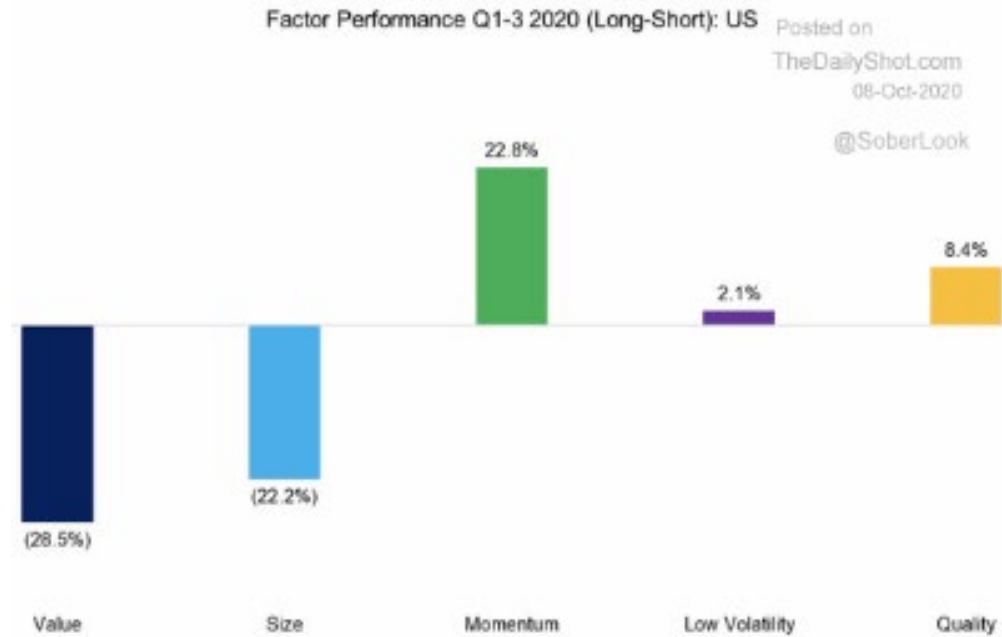
Last Week:

**U.S. Equity Market**

- U.S. large cap equities (S&P 500® Index) rose 3.8% as fiscal stimulus optimism increased, with potential for a larger post-election deal in the event of a Biden win and Democratic-controlled Senate, as well as vaccine potential and ongoing monetary support from the Federal Reserve. Treasuries were weaker with the curve steepening, the dollar was down ~0.8%, gold rose +1.0% and WTI crude surged +9.4%.
- Sector performance:
  - Materials (+5.1%) outperformed led by agricultural chemicals and industrial metals
  - Energy (+5.0%) outperformed as oil (WTI) rose +9.4%
  - Utilities (+4.6%) outperformed led by Exelon (+9.1%), NextEra (+7.7%), American Electric Power (+5.3%), and Southern Co (+4.4%)
  - Information technology (+4.8%) outperformed led by semiconductors with **NXP's** (+11.1%) strong pre-announcement and the possibility that AMD may acquire Xilinx (+17.9%)
  - Health care (+4.1%) outperformed on reduced fears of a Biden healthcare plan
  - Industrials (+4.0%) outperformed led by machinery electricals and airlines
  - Consumer discretionary (+3.9%) outperformed led by **Amazon** (+5.2%)
  - Financials (+3.7%) underperformed with weakness in exchanges and insurance. Asset management stocks rose on Morgan Stanley acquiring Eaton Vance (+52.2%)
  - Communication services (+2.2%) underperformed with weakness in AT&T (-1.3%), Twitter (-0.5%), **Activision Blizzard** (-0.1%), and **Verizon** (+0.2%)
  - Consumer staples (+2.7%) underperformed with weakness in packaged foods
  - REITs (+1.3%) underperformed with weakness from Welltower (-2.8%), SBA Communication (-1.1%), **Crown Castle** (-0.8%) and AvalonBay (+0.3%)

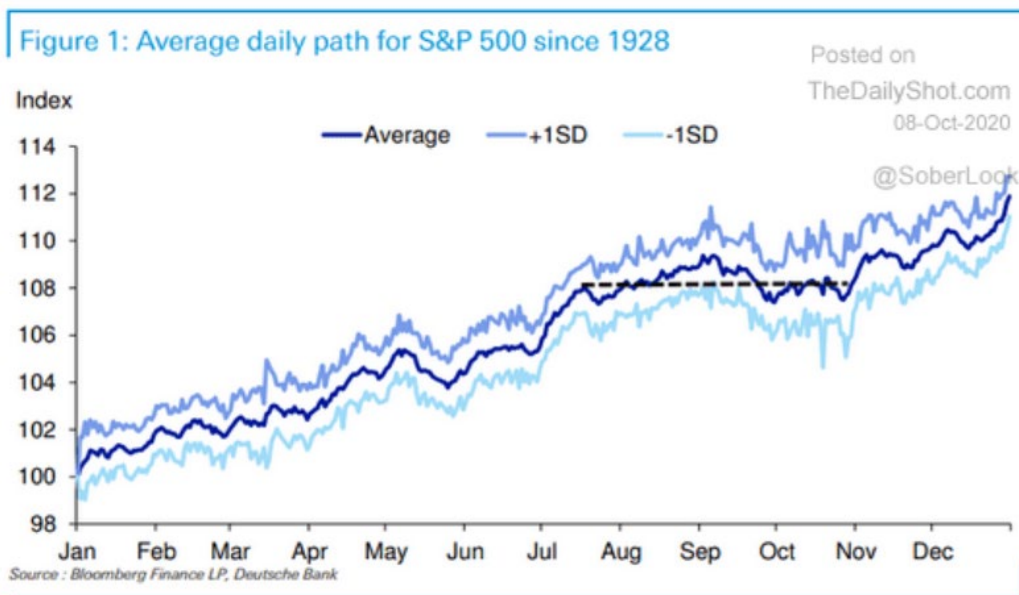


- During the first three quarters of 2020, momentum and quality factors have been in favor, while value (growth outperformed value) and size (large-cap outperforming small-cap) factors have been out of favor.



Source: The Daily Shot

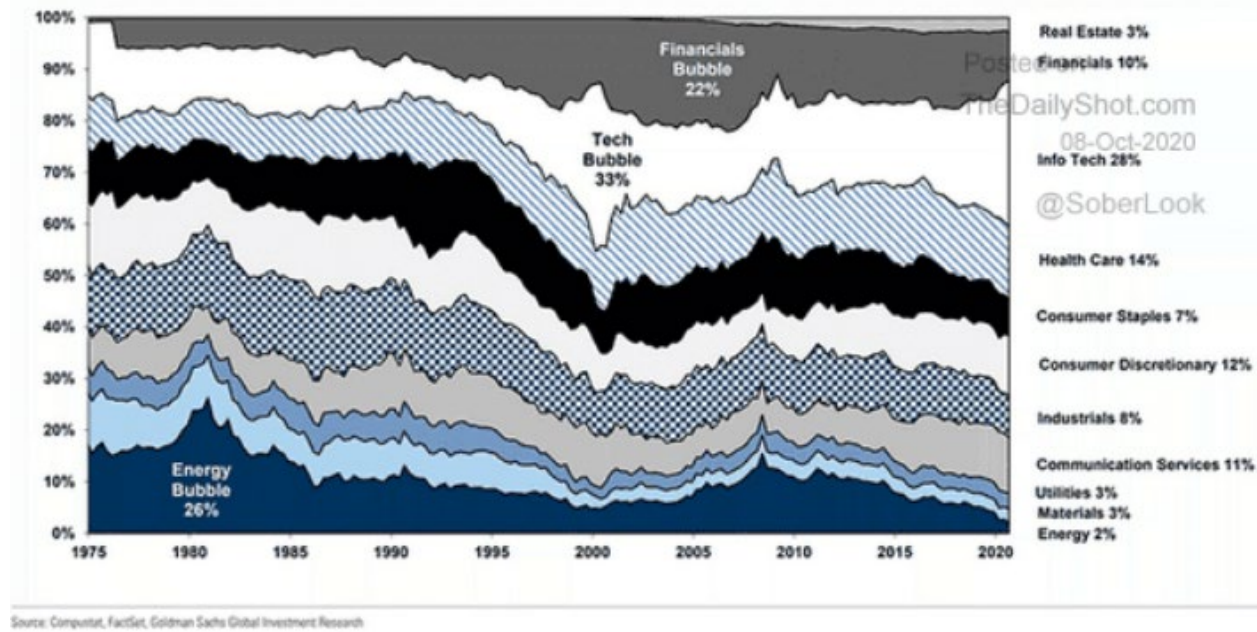
- Historically, the S&P 500 trades sideways from August through October, with improving performance in November and December.



Source: The Daily Shot



- Since 1975, the information technology and health care sectors increased in relative weight, while the energy, materials, and industrials sectors shrunk.



Source: The Daily Shot

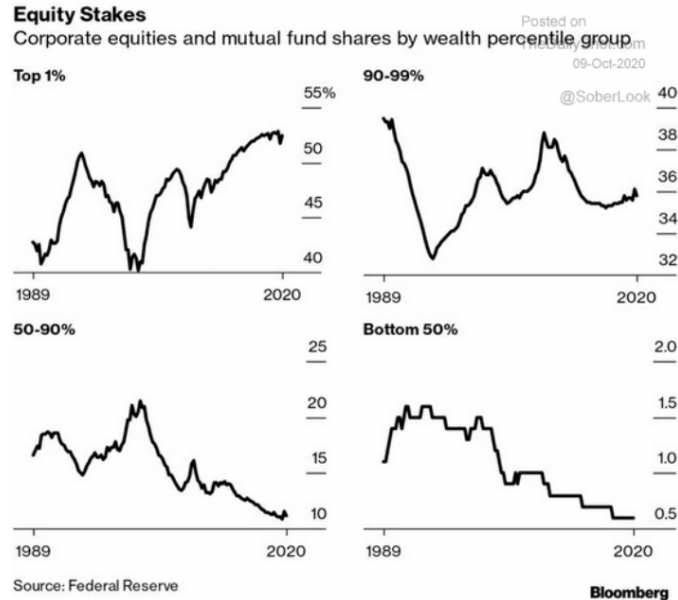
- As the technology sector grew over the last several years, value stock underperformance versus growth far exceeded two standard deviations away from the trend line. This may cause some investors to anticipate a mean reversion of value outperforming growth. The last time the value underperformance was two standard deviations was at the peak of the 2000 technology bubble.



Source: The Daily Shot

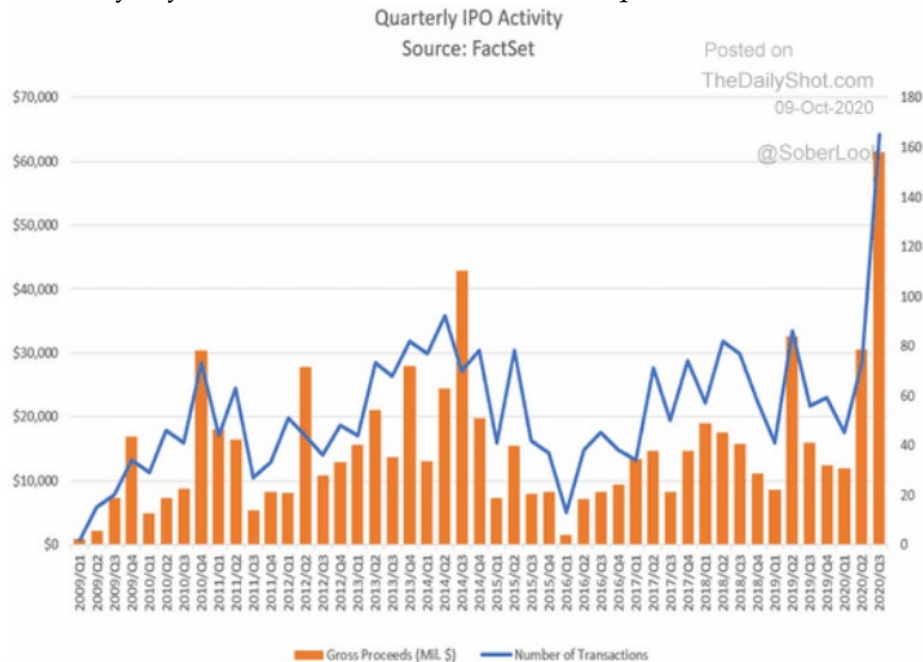


- The top decile of households by wealth experienced an increase in equity and mutual fund ownership over the last 10+ years, while the remaining wealth groups saw a general decline in the last 10+ years.



Source: The Daily Shot

- Quarterly IPO activity skyrocketed in the second and third quarters of 2020.

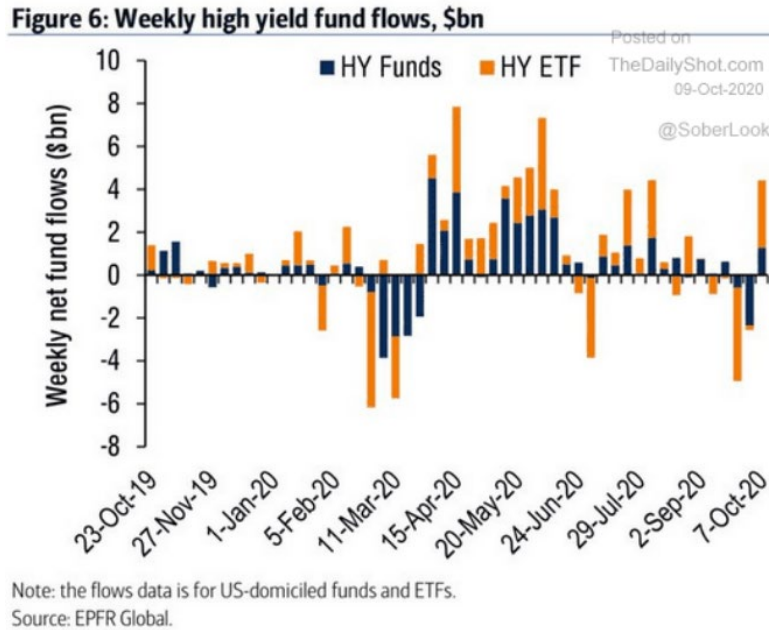


Source: The Daily Shot



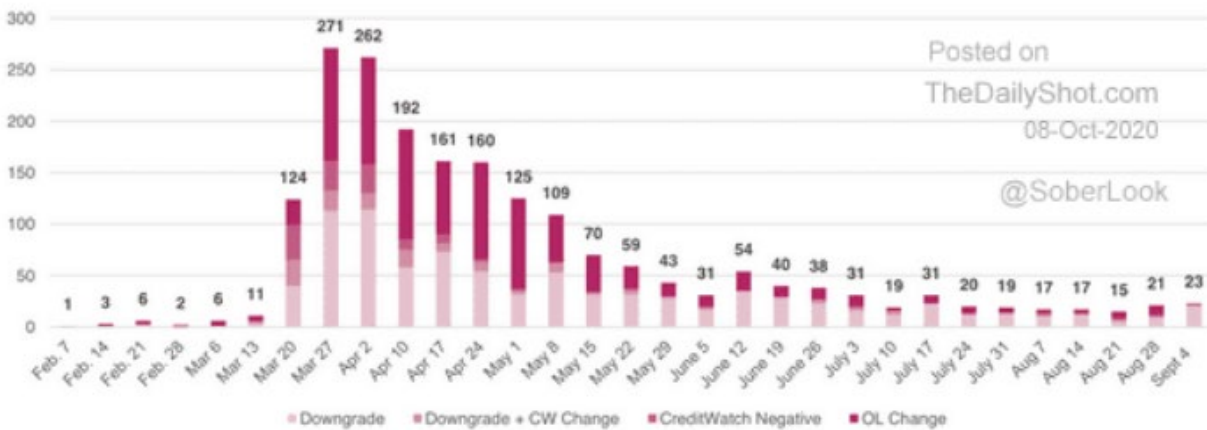
**Fixed Income Markets**

- Weekly high yield fund flows increased recently, and have generally experienced inflows since late March.



Source: The Daily Shot

- Negative rating actions have decreased steadily since late March.



Data as of September 14, 2020.  
S&P Global Ratings.



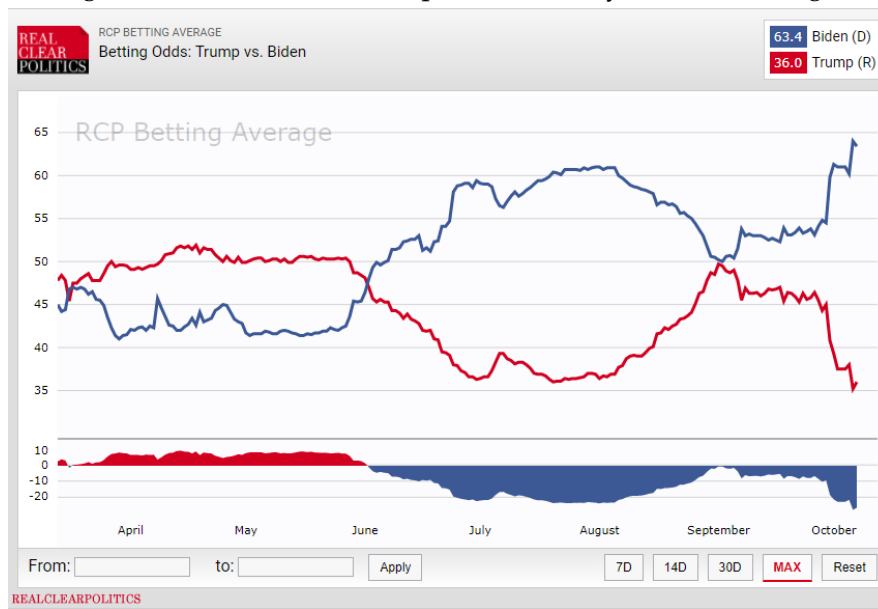
Source: The Daily Shot





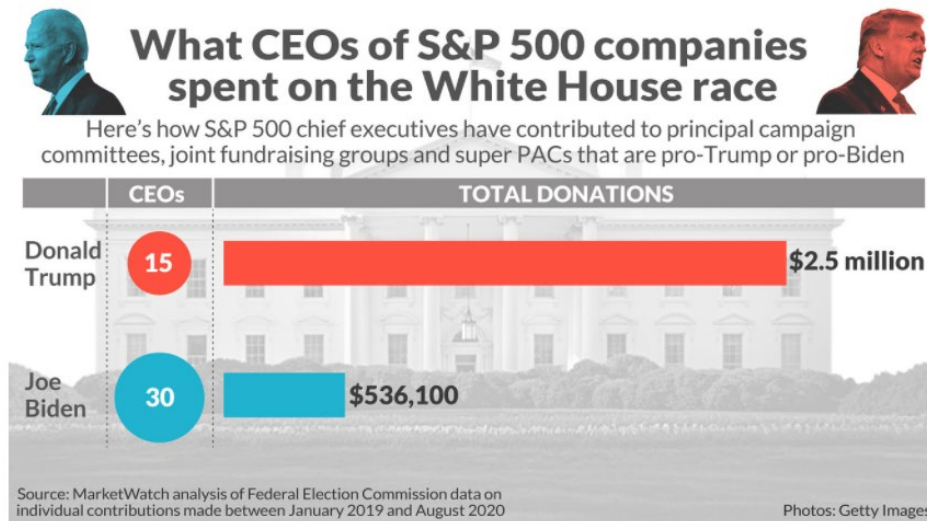
## U.S. Economic and Political News

- Weekly Jobless Claims dipped to 840,000.
- Federal Reserve Chair Jerome Powell said that a second wave of COVID-19 could “more significantly limit economic activity, not to mention the tragic effects on lives and wellbeing. Managing this risk as the expansion continues will require following medical experts’ guidance, including using masks and social-distancing measures.” While acknowledging an outsized federal budget deficit, Powell went on to say that now is the wrong time to address that. “The US federal budget is on an unsustainable path, has been for some time. [But] this is not the time to give priority to those concerns”
- President Trump returned to the White House Monday evening, after treatment at Walter Reed Medical Center for COVID-19.
- By Tuesday afternoon, Trump announced that he was discontinuing discussions with House Democrats over a follow-up stimulus bill until after the election, saying that “Nancy Pelosi is asking for \$2.4 trillion ... We made a very generous offer of \$1.6 trillion...” Hours later, Trump tweeted “True!” in response to Fed Chair Powell’s comments. Later that evening, Trump said he would sign a bill that offered \$1,200 stimulus checks to Americans, and also would sign a bill extending stimulus benefits to airlines. That latter stance was more consistent with a Tweet he issued over the weekend, saying, “OUR GREAT USA WANTS & NEEDS STIMULUS. WORK TOGETHER AND GET IT DONE.”
- Mr. Trump lost his appeal in New York, and was ordered to turn over tax documents to prosecutors in that state. Next up: a potential “stay” by the Supreme Court.
- Meanwhile, the Commission on Presidential Debates said this week’s second Presidential debate will be held virtually, rather than in-person. President Trump promptly responded he won’t debate in a virtual format. The debate has now been canceled, with only an October 22 debate remaining.
- Mr. Trump held a significant lead over Joe Biden as recently as May, but with barely three weeks until Election Day, betting markets show Mr. Trump is now nearly a 2:1 underdog.



Source: RealClearPolitics

- However, President Trump holds a sizable fundraising advantage over Mr. Biden among S&P 500 CEOs.



Source: Marketwatch

### International Markets and News

- The Chinese stock market (Shanghai Composite) rose +1.7% Friday after being closed from October 1-8 for the national Golden Week holiday.
  - The private Caixin Services PMI rose to 54.8 in September from 54.0 in August, supporting China's strong post-COVID-19 economic recovery.
  - During the Golden Week Holiday, high frequency data were mixed, with tourism revenue falling 30% year-over-year, while daily consumer spending rose 4.7% from a year earlier.
  - The Fifth Plenum of the 19<sup>th</sup> Communist Party Congress starting October 26 likely will provide more details regarding China's "dual circulation" development model, which is expected to favor more domestic growth drivers over export-led growth.
- Europe's 600 Index rose 2.1% despite rising COVID-19 infections in Spain, France, the U.K., Germany, and Italy, along with further restrictions on public life to curb the resurgence of the virus.
  - U.K. GDP rose 2.1% sequentially in August, compared with a monthly growth rate of 6.6% in July, but below analyst expectations.
  - The French economy rebounded 16% in the third quarter from an almost 14% decline in the previous three months, as business activity picked up since the national lockdown was lifted early in May.
- Japanese equities (Nikkei 225 (Index) rose +2.6% as the Bank of Japan's (BoJ's) Governor Haruhiko affirmed that fiscal and monetary stimulus measures have been effective, and predicted that inflation would begin to rebound after a short-term period of low oil prices.
  - The BoJ also raised its outlook for eight of its nine economic regions.



**This Week:**

- Corporate earnings increase this week with notable earnings including, but not limited to: **Johnson & Johnson**, **UnitedHealth**, JPMorgan Chase, Bank of America, ASML, **Honeywell**, Wells Fargo, **Citigroup**, BlackRock, Intuitive Surgical, Morgan Stanley, **Goldman Sachs**, **Charles Schwab**, Fast Retailing, US Bancorp, **PNC Financial Services**, Bank of New York Mellon, Walgreens, VF Corp, Delta Air Lines, Kansas City Southern, NVR, Ally Financial, Signature Bank, ABC-MART, Western Alliance Bankcorporation, Cohen & Steers and Alcoa Corp.
- U.S. banks are closed today in observance of Columbus Day.
- The U.S. macro-economic calendar will see the NFIB Small Business Index, CPI data, Average Workweek, and Hourly Earnings data and PPI figures. Both the Empire State and Philadelphia Fed Indices are expected Thursday along with Initial Claims, Continuing Jobless Claims and Export/Import Price Index figures. Bookending the week, expect Retail Sales Figures to come along with Industrial and Manufacturing Production as well as the Michigan Sentiment (prelim.).
- U.S. Economic data:
  - Monday: no economic data anticipated
  - Tuesday: NFIB Small Business Index, CPI ex Food, Energy, CPI, Treasury Budget
  - Wednesday: MBA Mortgage Purchase Applications, PPI ex Food, Energy, PPI
  - Thursday: Empire Manufacturing, Export Prices, Import Prices, Philadelphia Fed Index
  - Friday: Retail Sales ex Autos, Retail Sales, Manufacturing Sales, Capacity Utilization, Industrial Production, Business Inventories, Michigan Consumer Sentiment (Preliminary), TIC Flows

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Adam Bergman, CFA®  
Executive Director





*Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.*

**S&P 500®:** The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P® Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks. The volatility of an index varies greatly; investments cannot be made directly in an index.

**Russell 2000®:** The Russell 2000® index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index.

**Dow Jones:** The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**NASDAQ:** The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**NASDAQ-100:** The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

**MSCI EAFE:** MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries\* around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**STOXX Europe 600:** The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**Nikkei 225:** The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. (Sourced from Investopedia).

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