

## EQUITY & FIXED INCOME OUTLOOK NOVEMBER 2020

There are two potential outcomes for any type of prediction ... lucky or wrong.

As of this writing, the election is just days away – but knowing the winner before retiring for the evening seems unlikely this time around. It's hard to know just how long it will take before the results are officially tabulated – and also hard to guess how the market will handle this “lame duck” period between election night and any final announcement. We suspect that timeframe will involve some elevated market volatility, and in advance, we advise our clients to refrain from the temptation to realign portfolio allocations during that period.

Regardless of the election outcome, the market's current themes will not disappear – the largest themes being the global pandemic, its resulting economic challenges and its continued impact on people and businesses. With this in mind, we see prospects for continued pressure on the markets, followed at some point by elation at the announcement of a vaccine, achievement of herd immunity or some other reduction in the power of this virus. We will continue to do our best to move through

the environment that develops, so we can avoid being “un-invested” when we reach that turning point.

The current stock market valuation is elevated and top-heavy, with returns concentrated in the largest firms. Fixed-income yields are so low that they may be challenged to provide a return commensurate with risk – at least as we know it from the past. However challenged the domestic risk-adjusted returns might be, there are even greater challenges with the \$16.6 trillion in foreign bonds producing negative yields. Think about it. There are bond buyers who lose money and pay the issuer for the privilege of owning their bonds. If the bond is held to maturity, it is a guaranteed loss. Try to explain that in the context of investment stewardship!



Greg Sweeney, CFA  
SVP/Chief Investment Officer  
**Tenure:** 09/1992  
**Years of Investment Experience:**  
35 years  
**Education:** Greg holds a bachelor's degree in business from the University of North Dakota and is a CFA charter holder.