



October Thoughts from Home

“Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it.”

-Warren Buffett

Warren Buffett is our guide this month as we head into the U.S. election in November. Here are some of the key points we are watching:

- 1) A survey of 735 clients of global financial advisory deVere Group showed that 72% of respondents fear a contested U.S. presidential election, 18% were most worried about COVID, 5% China/Global trade and 5% climate change.
- 2) The President has announced he and the First Lady have COVID. Hopefully this will bring attention to the fact the world has now lost 1 million people to the disease, but it will definitely make things more uncertain heading into the election.
- 3) September saw a healthy correction in the U.S. technology sector, particularly the highest volatility names such as Zoom and Tesla. However, year to date gains in the sector remain impressive.
- 4) The U.S. election is definitely the 800 lb. gorilla in the room. The media will have a field day over the next month, particularly over the President's health and the economic stimulus bill, both of which remain in limbo.

With these and other factors under consideration, here are our thoughts and proposed course of action:

1) As to the first item, we would refer you to Mr. Buffett's quote. Market fears will rotate but it always comes back to corporate earnings, dividends and growth. We continue to maintain our investment discipline throughout all market conditions.

2) The only good news on the COVID front is that vaccine development continues and that since the start of school, the increased number of cases is not as bad as feared. The majority of cases seem to be young adults and this may contribute to the fact that hospitalizations and deaths remain well below previous levels. We could see a further tightening of restrictions but another full lockdown is unlikely at this point. At least for now, the market seems to have adjusted to the current COVID reality but with the President now ill, the market could move on reports of his health.

3) Profit taking in a sector where many companies have grown over 100% this year makes perfect sense, particularly stocks that don't have much by way of earnings. Technology represents the strongest area of growth in the U.S. market and we will continue to invest in companies that trade at a realistic price/earnings multiple and offer growth at a reasonable price.

4) The new stimulus bill being debated currently is crucial to both the election and next 3-6 months' health of the U.S. economy. The real delay at the moment seems to be both parties jockeying for best political advantage. Long term records show the market performs equally well under either party. October will be noisy, with a lot of media rhetoric but this is just a distraction. Any market reaction will be short lived and we will stay the course and use our call option program to profit from the volatility.

As always, all comments, questions and feedback are welcome. We look forward to hearing from you. In the meantime, stay healthy.

Yours truly,

Trevor, Walter and the Cooper Wealth Management team



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