September Thoughts from Home

In politics and the stock market, leadership from a narrow support base is a dangerously weak position. Opinions can change overnight and suddenly your support is gone. The recent sell off in U.S. technology is no surprise given the meteoric rise of the sector this year. However, it is not a cause to panic about the overall stock market and economic recovery. Here is what we are watching now:

1) U.S. unemployment has fallen to 8.4% with half the 22 million jobs lost due to COVID now recovered. This is with the restaurants, hotels and travel related businesses operating at 25% capacity or under, leaving lots of room for future economic growth. U.S. GDP has dropped to 2017 levels but this shows the U.S. relative strength versus Europe, which has seen average GDP drop to 1999 levels.

2) In February 2020, there was $2 trillion on the sidelines, waiting to be invested. Today, that number has grown to $4.5 trillion, indicating an even stronger underlying buying support to this market.

3) Price/ Earnings multiples and traditional equity valuations are starting to matter again. Recent market high flyers like Zoom and Tesla are taking the brunt of this technology sell off. It is important to note that technology stocks in the S&P 500 remain up 25% year to date.

4) The COVID-19 pandemic continues, particularly in the U.S.. However, we have to consider that the U.S. market just passed a large stress test and while the economy is still recovering, equities have shown us they are resilient and have room to grow. Developments in politics, the

virus, and a vaccine will be monitored as to their affects on the U.S. dollar, global interest rates and the price of oil.

As a result of these observations, here is the action we are taking:

1) The portfolio has weathered the COVID crisis stress test well. We continue to monitor the earnings of the individual companies in our model and make any changes as required.

2) We continue to generate cash flow through dividends and our call program. We are always trying to balance having enough cash to take advantage of opportunities but not so much as to become a drag on performance.

3) We are maintaining our technology weighting as we are satisfied that we own high quality names at reasonable prices. The short term current sell off does not affect our long term outlook on the potential of the sector.

4) We expect the U.S. to pass a further stimulus package prior to the election, once both parties stop jockeying for political gain. This should buy time for further developments with the pandemic. We expect the U.S. dollar to maintain current levels, interest rates and oil to remain low. As a result, we have a positive outlook on the overall market and are staying with our balanced approach of growth and dividend stocks.

As always, we welcome your questions and comments. We also look forward to seeing you in person in the not too distant future. In the meantime, stay healthy!

Yours truly,

Trevor, Walter and the Cooper Wealth Management team

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