

## THE DEBATE INTENSIFIES

71 days – yes, just 71 days, until perhaps the most divisive US Presidential election in living memory, but I am not talking about those debates. I am talking about the intense debates in news media about the growing divide between **Wall Street** and **Main Street**. Some six months into the Covid-19 pandemic and most North American stock indices are close to, or have even exceeded, previous highs. Yet, on **Main Street** there is wide spread high unemployment, bankruptcies continue unabated (some 40% of all stores are expected to close permanently) and major sectors, such as airlines, entertainment and energy, are experiencing significant daily losses.

Let me be very clear, this dichotomy is only focused on the North Americas. The major bourses in the rest of the world (with a few exceptions) are showing year to date losses in line with the economic disruption their economies are experiencing.

Why? Pundits puzzle this every day: why are the US stock markets doing so well when the economic world look so bleak? Let's remind ourselves it is a select few companies, most being beneficiaries of the pandemic induced social and economic changes, that have done all the heavy lifting. The average share in the S&P 500 is still 28% below its peak and, as a further example, the S&P Consumer Discretionary sector has gained 23% this year, but almost 45% of that gain is due to one company - Amazon.

It's a similar story in Canada with the TSX down only 3.2% this year, but within that virtually all the underlying sectors are sharply negative, with Financials still showing a 14.5% loss, Real Estate down 18.8% and Energy -28.6%. It's really only the gold miners and a couple of technology companies that have produced all the gains.

So, the question on everybody's mind is will the economy return strongly, say with a vaccine, and the lagging share prices catchup? Or, will the current high flyers suddenly face reality and come crashing down to join the majority? I don't have the answer, but you have to wonder **why** APPLE, for example, has doubled in value in six months (and is now worth over \$2 trillion) when it has produced no new innovative products or dramatically expanded its market share, will pull back significantly.

**So with that to mull over, how did stock markets do last week?** Globally, only so-so, with losses in the 1% to 2 % range and a resurgence of Covid cases in North Korea and many parts of Europe (with associated shutdowns) raising concerns. In the US, strong home sales, potentially improving manufacturing numbers and more money flowing into technology shares made the NASDAQ the big winner up 2.7% and the broad based S&P500 rose 0.7%. The TSX was unchanged, but for those who dream of going south someday, the Canadian dollar gained a further 0.6% and is getting closer to break even for the year.

This week gives us the 4-day Republican convention and, to get us off to a good start, rumors are that the Trump administration is considering bypassing US regulatory standards to fast-track a coronavirus vaccine from the UK for use in America ahead of the presidential election.

It should be a fascinating week, lets watch ....