

NOTES FROM THE TRADING DESK

TANDEM INVESTMENT ADVISORS | BEN CAREW, CFA

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MARKET MOVERS & SHAKERS

U.S. Equities were in rally mode last week. The S&P 500's 3.84% gain marked its best weekly performance in more than three months. The Nasdaq gained 4.56%, also good for its best week since the start of July. The Dow was up 3.27%. However, the real darling was small cap stocks. The Russell 2000 jumped 6.38% — its best week since early June. Performance was broad based as value and growth both performed well. Materials were the best performing sector, followed closely by Energy and Utilities. Tech also had a strong week, thanks in large part to semiconductors jumping nearly 8%. The dollar was mostly weaker as the ICE US Dollar Index fell 0.84% for the second straight week. The Dollar Index has now slid three of the past four weeks. Crude was up roughly 9.5%, reversing its nearly 10% slide over the previous two weeks. Lastly, Treasury yields spiked higher. The 30-year Treasury closed out the week knocking on the door of 1.60%, while the 10-year Treasury spiked to 0.80%. Both of these were the highest weekly closes since early June.

Stocks began last week on the right foot as all major indices closed noticeably higher on Monday. It was fairly quiet in terms of headline news outside of the President potentially leaving Walter Reed. However, Bloomberg noted that the widening gap between Vice President Biden and President Trump is likely to be welcomed by investors as it would potentially decrease the risk of a contested election. Equities gave up much of Monday's gains following President Trump's announcement that he would not be willing to negotiate any stimulus packages until after the election. However, by Wednesday President Trump had backtracked on this stance as he called on the passing of stimulus packages once more. This was embraced by the stock market as all major indices rallied closer to 2%. Thursday and Friday were both a bit more muted compared to the beginning of the week, though they were each positive days in the market. Seemingly all of the market's action was dictated by the back and forth on potential coronavirus stimulus headlines — something worth monitoring closely into the election.

Earnings season is officially under way this week as Banks kicked things off on Tuesday morning. Over the next four weeks, more than 60% of the S&P 500

will report their Q3 numbers. According to FactSet, analysts are currently expecting S&P 500 sales to decline 3.5% and earnings to decline 20.5% on a year over year basis. Surprisingly, these estimates are actually improvements from what analysts were predicting at the end of Q2. However, a lot of these estimates are predicated on continued economic improvement. The next few weeks could be huge — and not just for political reasons. The economic recovery could run the risk of stalling if cities decide to rollback some of their re-openings. New York and New Jersey recently recorded their highest number of new COVID-19 cases since May.

As we approach the election, keep an eye on Tech and the other recent market leaders. As polls continue to point towards a growing gap between Vice President Biden and President Trump, the market may begin to increasingly price in a Biden victory. As *The Wall Street Journal* pointed out last week, Vice President Biden has proposed raising the corporate tax rate to 28% from 21%, amongst various other corporate tax reforms. BofA Global Research estimated that the various tax proposals put forth by the Biden team would reduce expected earnings among companies within the S&P 500 by 9.2%. BofA went on to estimate that Tech and Communication services would both see double-digit percentage declines in terms of profits.

TRANSITION UPDATES & NEWS **

It was a slow week in terms of news amongst Tandem names. However, all of that should change this week as some Tandem names begin reporting earnings as well. BlackRock, Johnson & Johnson, and Walgreens are all set to report their quarterly results. Within the next three weeks, more than 70% of Tandem's holdings will report their results. According to FactSet, Tandem's holdings are expected to see sales growth of 3.2% and earnings growth of 1.6%. What's more, analysts are currently expecting these numbers to continue to accelerate into the end of the year.

***The transition update describes activity taken by Tandem on the transition level, not the composite or firm-wide level. The transition update is applicable to new accounts and new money. New accounts and new money are not automatically invested on the first day. Rather, they are transitioned into our strategy over a longer time period that is dependent upon market conditions. This update describes that transition.*



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KEY MARKET DATA

	WTD	MTD	QTD	YTD
Dow Jones	3.27%	2.90%	2.90%	0.17%
S&P 500	3.84%	3.39%	3.39%	7.63%
Nasdaq	4.56%	3.69%	3.69%	29.06%
Russell Mid Cap	4.72%	6.05%	6.05%	2.23%
Russell 2000	6.38%	8.61%	8.61%	-1.85%

	WTD	MTD	QTD	YTD
Comm. Svcs	2.24%	1.58%	1.58%	9.32%
Con Disc	3.87%	4.34%	4.34%	27.76%
Con Staples	2.68%	2.57%	2.57%	4.50%
Energy	5.00%	2.72%	2.72%	-48.81%
Financials	3.74%	4.70%	4.70%	-18.04%
Health Care	4.05%	2.62%	2.62%	6.32%
Industrials	4.00%	4.82%	4.82%	-0.81%
Info Tech	4.58%	2.90%	2.90%	31.21%
Materials	5.12%	4.50%	4.50%	8.34%
Utilities	4.59%	6.85%	6.85%	-1.77%
REITs	1.32%	4.53%	4.53%	-4.36%