



Forward Focus

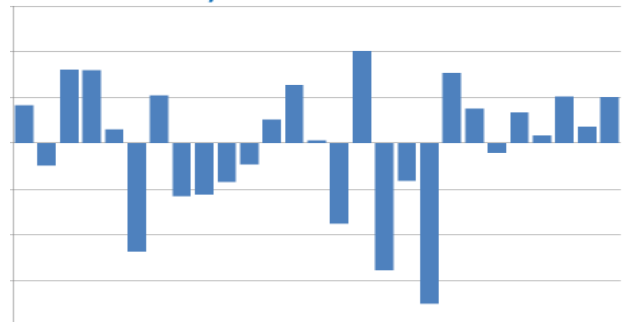
October 2020



Quarterly Market Review

Strong stock market gains in July and August were reduced by a 4% decline in September. As the stimulus and unemployment benefits began to wind down, the economy began to slow late in the 3rd quarter. In late August, the Federal Reserve announced they will keep rates ‘lower for longer’, providing a bit of clarity for interest rates. However, uncertainty about upcoming elections, the next phase of Covid19, and a much needed - but yet to be decided - fiscal stimulus from Washington began to weigh on the U.S. stock markets.

Daily Close Past 5 Weeks



The chart on the right shows the daily return of the S&P 500 over the past 5 weeks. After a solid run since March, markets are taking a bit of a breather and awaiting additional stimulus and certainty that will be forthcoming soon.

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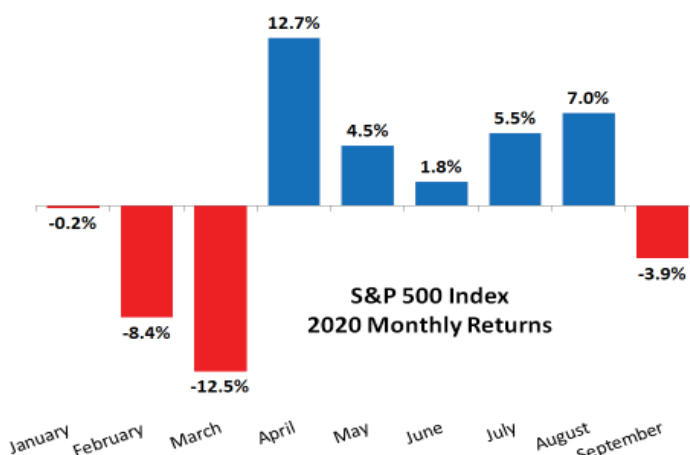
The Unemployment Rate has declined for 5 straight months and now stands at 7.9% from nearly 15% in March. That is a remarkable improvement, but still leaves unemployment significantly higher than where it stood in February at 3.5%. The good news: September’s employment numbers showed a pick up in Leisure, Hospitality, and Retail jobs, which is a great sign that businesses are slowly reopening. However, additional stimulus is needed to sustain jobs in Travel, Recreation and Restaurants.

I’d be remiss if I didn’t address the Elephant and Donkey in the Room. Yes, the November Election. It will be a bumpy ride, a contested outcome, and I have already heard pundits referring to it as election “week”, as opposed to, election “day” (not a good sign). However, our Republic will endure and stock markets will adapt. In investing, the key is to focus on policy implications, not political pontifications. Therefore, we remain focused on the long-term, endure the short-term, and invest when opportunities arise and markets deviate from fundamentals.

During the third quarter, the best performing sectors were Consumer Discretionary and Materials while the worst performing sectors were Energy and Real Estate.

Growth stocks continue to outperform value stocks by a wide margin, but the divergence is getting so large that we anticipate value to start to narrow that gap.

As we stated in July’s **Forward Focus**, we are seeing opportunities in international markets. Emerging Market stocks outperformed the S&P 500, the Dow Jones Industrial Average, and the Russell 2000 during the 3rd quarter.



Third Quarter 2020

Dow Jones Industrial Average 7.6% ● S&P 500 8.5% ● MSCI EAFE (International) 4.6%
 Russell 2000 (Small Cap) 4.6% ● MSCI EMI (Emerging) 10.3% ● Barclays Capital Aggregate Bond 0.4%

Election: Choosing Your Next 4 Years

November's election will determine who will lead the country for the next 4 years. However, contrary to popular belief, it will not determine YOUR next 4 years. Elected officials can only do so much. What matters most in your life are your own decisions. For all of us, that should bring a sigh of relief.

What will 2024 look like? Do you have a clear vision? What will you accomplish over the next 4 years? What goals do you have? Are you working towards them? Will they happen based upon your actions today?

Here are a few money questions about 2024. Will you be closer to your financial goals (retirement, education, debt-free, monthly contribution goal, saving/emergency fund, maxing out your 401k or IRA, salary goal, etc...)? Will your income, expenses, tax bracket, job/career, house or lifestyle change? Do you need it to? Will your actions be enough to reach your financial goals? These are but a few questions to get you to think.

A great action step towards your next 4 years is to **Schedule a Goals Meeting with Forward**. Email us or go to <https://go.oncehub.com/ScheduleaGoalsMeeting> to schedule a time. We can discuss goals, create/review a plan, and set up concrete action steps so that your next four years are successful. Who knows? You might even get reelected to run your own life for another 4 years.

We can choose how the next 4 years will turn out. The decisions you make are much more impactful, meaningful and lasting to your life and the lives of those around you than the changing winds in Washington. So, worry less about who resides at 1600 Pennsylvania Avenue and focus more on your own house (financial or otherwise).

Changes in the Dow Jones Industrial Average

On August 31st, the Dow Jones Industrial Average changed 10% of the names in its index. Gone are Exxon Mobile, Pfizer, and Raytheon. They were replaced with Salesforce.com, Amgen and Honeywell International. These changes were spurred on by Apple's 4 for 1 stock split. The Dow is a Price Weighted Index, meaning the larger the stock price the larger the weighting. Thus, Apple itself had become a 12% weighting in the index, pushing the technology sector to a 27% weighting. By Apple conducting a 4 for 1 stock split, the weightings were all off kilter. This provided a unique opportunity to change the overall makeup of the index to better represent the current economic environment.

The Dow Jones is the most often quoted index in the world, but is made up of just 30 stocks. In order to properly represent our changing economy the Dow must periodically replace a few names. They added Salesforce to increase some of the technology exposure lost from the Apple stock split, and added Amgen and Honeywell to increase exposure to healthcare and industrials, respectively.

Exxon had been in the index since 1928 and was 1 of just 2 energy stocks in the index. Now Chevron is the lone energy survivor. Honeywell International was added, but had previously been in the Dow from 1999 to 2008.

Helpful Reminders

FALL CLEAN UP: Two weeks ago, we sent out a **Forward Information Update Form** via email in order to update our records with your most current information. Thank you for all those that promptly completed the task. If you have not completed it yet, please do so ASAP. If you did not receive one, then we need your current email address. To watch a brief video and complete the online form visit <https://www.forwardinvestmentadvisors.com/fall-cleanup-2020>.

NO RMD's: The CARES Act suspended all Required Minimum Distributions (RMD's) for 2020. This applies to IRAs, 401ks, 403bs, and even Inherited IRA accounts. That means you do not have to take anything out this year. To be clear: You may still take one if you like. Simply let us know.