

Issue 20

PRESIDENTIAL DEBATE AHEAD

Risk assets opened the week down, as Covid-19 cases around the world rose, and a struggle over a Supreme Court seat seemed to ensure that a U.S. relief bill was not in the cards. Stocks wavered and fell as the president refused to promise a peaceful transfer of power. Despite rising volatility, the S&P 500 skirted a correction, and Treasury Secretary Steven Mnuchin and House Speaker Nancy Pelosi confirmed a resumption of relief talks. On the week, the Dow Jones Industrial Average fell 1.7%, to 27,173.96; the S&P 500 slipped 0.6%, to 3298.46; and the Nasdaq Composite gained 1.1%, to 10913.56. The week began with the U.K talking about a second shutdown and ended with all of Europe facing down a second wave of infection as France reported its highest number of daily cases and other countries reported spikes as well. In the U.S., the number of cases is rising, and the death toll passed 200,000 midweek, leading to the possibility of new shutdowns and sending investors scurrying for safe-haven stocks over recovery plays.

The U.S. presidential race also enters its final and most crucial stage this week, with Republican President Donald Trump facing his Democratic challenger, former Vice President Joe Biden, in their first debate on Tuesday evening. The presidential and congressional elections have been rumbling in the financial markets' background for weeks, but are moving to the forefront now. Friday will also bring the September employment report, the final jobs data to be released before Election Day, Nov. 3. The economic numbers this time might affect the political world even more than the markets, given the importance of voters' pocketbooks on their election decisions.

The chances of a pre-election fiscal package are far from certain, especially with the coming contentious confirmation fight over the Supreme Court vacancy left by Justice Ruth Bader Ginsburg's death. However, Treasury Steven Mnuchin said on Thursday that he and Democratic House Speaker Nancy Pelosi are continuing negotiations over a new stimulus bill. Democrats are drafting a \$2.4 trillion measure, smaller than the \$3 trillion-plus Heroes Act passed by the House in May, but still far larger than what Republicans have been willing to support. While the markets will be watching the world of politics, financial and economic variables might have more impact on the presidential outcome.

So far, the major averages have had a tough month, with the S&P 500 falling 5.8% in September. The Dow has dropped 4.4% over that time period and the Nasdaq is down 7.3% month to date. Much of September's losses have been concentrated in megacap tech stocks, which carry a heavy weight in the indexes. Shares of Apple – the largest publicly traded company in the U.S. by market cap – have dropped 13% this month. Microsoft, Alphabet, Netflix, Amazon and Facebook are all down at least 7.9% over that



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MARKET SUMMARIES

(at Friday's close)

S&P/TSX Composite **up 0.96%** at 16,065.35 (**down 5.85% ytd**)

S&P/TSX Venture **up 1.30%** at 695.26 (**up 20.38% ytd**)

S&P 500 **up 1.60%** at 3,298.46 (**up 2.09% ytd**)

Dow Jones Industrial Avg. **up 1.34%** at 27,173.96 (**down 4.78% ytd**)

Nasdaq Composite **up 2.26%** at 10,913.56 (**up 21.63% ytd**)

Metals

Gold: \$1862.72

Silver: \$22.90

Copper \$2.97

Energy

Brent Crude Oil: \$41.87

WTI Crude Oil: \$40.14

Natural Gas: \$2.14



time period. Amid a tech sector selloff for the month of September, Alphabet (GOOGL) has their Pixel event scheduled for September 30. The Pixel 5 is an important release for Google. It's finally adopting multiple cameras, continuing the company's emphasis on its smartphones as mobile photography powerhouses. Google itself has already announced the Pixel 5 will offer 5G connectivity. Alphabet stock may be down double-digits since the start of September but the event may help limit the losses heading into October.

A U.S. federal judge on Sunday postponed a Trump administration order that would have banned the popular video sharing app TikTok from U.S. smartphone app stores around midnight. A more comprehensive ban remains scheduled for November, about a week after the presidential election. The ruling followed an emergency hearing Sunday morning in which lawyers for TikTok argued that the administration's app-store ban would infringe on the company's First Amendment rights and do irreparable harm to the business. Earlier this year, President Donald Trump declared that TikTok was a threat to national security and that it must either sell its U.S. operations to U.S. companies or be barred from the country. TikTok, owned by Chinese company ByteDance, is scrambling to firm up a deal tentatively struck a week ago in which it would partner with Oracle, a huge database-software company, and Walmart in an effort to win the blessing of both the Chinese and American governments. In the meantime, it is fighting to keep the app available in the U.S.

WHAT'S AHEAD

Market dynamics are all over the place these days. The presidential election is less than six weeks away and uncertainty about the outcome – as well as when the outcome will be known – is increasingly weighing on stocks. On top of that, the economic recovery is showing signs of slowing. In the latest example, Friday the Census Bureau report that orders for durable goods, such as cars, slowed more than expected in August. They rose 0.4% compared with a 11.7% jump in July. Us-China tensions, which have overshadowed the market regularly for years, are also on the rise again. In the weeks to come, earnings season for the third quarter of the year will also get under way. On Tuesday, President Trump and former Vice President Joe Biden will face off in the first of three scheduled presidential debates. While the two candidates have been trading jabs via the media for years, this will be the first time either has had the opportunity to confront their opponent in person. That being said, we encourage you to tune in to what should be an action-packed presidential debate and what is sure to have an ongoing effect on the financial markets leading up to Election Day. As the market continues to sell-off, we believe this volatility will continue and we are well positioned to take advantage of the correction by deploying our significant cash reserves.

Our quote of the week is from the billionaire businessman, hedge fund manager, and philanthropist, David Tepper.

"The key is to wait. Sometime the hardest thing to do is nothing."

FINANCIAL PLANNING TIP OF THE WEEK

Inter-Vivos Trusts; Why they are considered for estate and tax planning purposes

- **Reduction of probate taxes:** Assets that have been previously transferred to an inter-vivos trust will not form part of your estate on death and will not be subject to probate taxes.
- **Preservation of privacy and confidentiality:** A probated Will is a public document. A trust document governing the administration of the trust, however, is a private document and is not subject to public scrutiny.
- **Income splitting opportunities:** Subject to the attribution rules, there may be opportunities for income splitting of trust income with family members in lower tax brackets.



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