

Monthly Market Commentary

September 2020 Recap

The summer stock rally faltered in September, with U.S. equities posting their first monthly decline since March. The S&P 500 slipped 3.9% for the month, but still managed to finish the third quarter with a robust 8.5% gain to cap its best back-to-back quarterly performance since 2009. The more cyclical-oriented pockets of the market outperformed on a relative basis, with the Dow Jones Industrial Average losing just 2.3% and the Dow Jones Transportation Index reaching a new record level for the first time in two years. Mega-cap Tech and internet-related companies that had powered the recovery caught the brunt of the September sell-off, sending the Nasdaq Composite briefly into correction territory (defined as a 10% drop from its September 2 record high) and falling 5.2% for the month. Meanwhile, the U.S. dollar rose 1.9%, providing a headwind to most other assets, particularly COMEX gold, which experienced its worst monthly performance since November 2016.

Concerns of a resurgence in coronavirus cases weighed on risk sentiment, with both the U.S. and Europe seeing an uptick in case counts. Some Midwestern states saw positivity rates spike to 25%, while New York City's figure climbed above 3% for the first time in months. Meanwhile, health officials warned of an upward trend in infections as colder weather approached. Assuaging some worries were multiple reports of potential breakthroughs for a vaccine, with Johnson & Johnson (JNJ \$148.88) being the latest company to reveal that its vaccine candidate began final stage testing. However, conflicting timelines (differing by weeks and months) from U.S. government and health officials for an approved vaccine added to uncertainty.

Also disappointing investors was a lack of progress on a fifth relief package from Washington. Discussions remained at a stalemate, as Democrats and Republicans faced a wide gap in the size and scope for the next bipartisan bill. The unexpected vacancy in the Supreme Court following the death of Justice Ruth Bader Ginsberg further complicated negotiations. The opening also put a spotlight on political updates, with the upcoming November election bookmarked as a catalyst for outsized market volatility. Option trading continued to indicate an unusual increase in volatility following Election Day, as investors raised the probability of a contested presidential election.

Central banks updates were also in focus, with the Federal Reserve pledging to keep rates in the near zero-bound range until at least 2023. Policymakers also echoed plans to remain accommodative, utilizing their full range of tools to support the economic recovery. Fed Chair Powell highlighted the long road to "maximum employment" and reiterated a "highly uncertain" economic outlook as the pandemic lingered, while a slew of Fed speakers urged lawmakers in Washington to provide additional fiscal stimulus to keep the economic recovery from stalling. Mixed economic updates underscored the Fed's cautious outlook. The monthly jobs report exceeded expectations, but weekly unemployment claims still remained elevated. Other data showed consumer spending slowed in August, while a gauge of consumer confidence climbed the most since 2003 in September. The U.S. real estate market continued to offer a bright spot, as historically low mortgage rates fueled demand for housing. Pending home sales rose at a record pace, while a gauge of home prices in 20 U.S. cities had the biggest year-over-year increase in nearly two years. Treasuries remained range-bound, with the yield on the benchmark 10-year note slipping three basis points to 0.68%, and the more Fed-sensitive two-year note holding steady at 0.13%.

Nine of 11 S&P 500 sectors finished lower in September, with the Utilities and Materials groups eking out monthly gains. Energy stocks underperformed with a 14% slump, as a chorus of industry heavyweights (including oil giant BP (BP \$17.46) and the International Energy Agency) released bearish outlooks for global oil demand. West Texas Intermediate crude notched its first monthly decline since April, and the sector's September retreat sealed the group's fate as the lone laggard in the third-quarter. The Communication Services and Information Technology sectors also underperformed, with shares of Facebook (FB \$261.90) and Apple (AAPL \$115.81) both retreating more than 10% in September. Financials came under pressure after the International Consortium of Investigative Journalists outlined unethical practices by global financial institutions, alleging several banks continued working with customers despite suspecting illicit activity. In M&A news, Oracle (ORCL \$59.70) added 4% in September after China's Bytedance agreed to sell the U.S. operations of its social media platform TikTok to the company.

Disclaimers

Pricing as of market close on September 30, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Dow Jones Transportation Average is a price-weighted average of 20 U.S. transportation stocks. The average as it is known today began on October 26, 1896.

U.S. Markets

Index	Close Price Return (%)	September Price Return (%)	September Total Return (%)	3rd Qtr Total Return (%)	YTD Total Return (%)*
S&P 500	3363.00	-3.92	-3.80	8.93	5.57
Dow Jones Industrial Average	27781.70	-2.28	-2.18	8.22	-0.91
Nasdaq Composite	11167.51	-5.16	-5.11	11.23	25.40
S&P 400 Mid Cap	1861.29	-3.39	-3.25	4.77	-8.62
S&P 600 Small Cap	855.27	-4.84	-4.70	3.17	-15.26

U.S. Sector Performance

Index	Close Price Return (%)	September Price Return (%)	September Total Return (%)	3rd Qtr Total Return (%)	YTD Total Return (%)*
Communications Services	195.49	-6.48	-6.47	8.94	8.60
Consumer Discretionary	1207.69	-3.69	-3.62	15.06	23.38
Consumer Staples	659.14	-1.85	-1.48	10.38	4.13
Energy	227.49	-14.64	-14.51	-19.72	-48.09
Financials	400.28	-3.67	-3.48	4.44	-20.25
Health Care	1231.02	-2.29	-2.15	5.87	5.01
Industrials	650.68	-0.84	-0.76	12.47	-3.99
Information Technology	2054.56	-5.42	-5.37	11.95	28.69
Materials	400.01	1.09	1.34	13.31	5.47
Real Estate	218.95	-2.50	-2.04	1.92	-6.77
Utilities	301.86	0.80	1.13	6.14	-5.68

International Markets

Index	Close Price Return (%)	September Price Return (%)	September Total Return (%)	3rd Qtr Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	5866.10	-1.63	-1.54	-4.02	-20.12
Germany DAX	12760.73	-1.43	-1.43	3.65	-3.69
France CAC 40	4803.44	-2.91	-2.70	-2.03	-17.90
Spain IBEX 35	6716.60	-3.63	-3.62	-6.63	-27.98
Italy FTSE MIB	19015.27	-3.15	-3.04	-1.41	-17.40
Greece ATHEX	624.75	-1.46	-1.45	-1.30	-30.10
MSCI Emerging Market	1082.00	-1.77	-1.62	9.65	-0.96
Shanghai Composite	3218.05	-5.23	-5.17	9.04	7.94
Japan Nikkei 225	23185.12	0.20	0.67	4.58	-0.36
Hong Kong Hang Seng	23459.05	-6.82	-6.44	-2.62	-14.18
Brazil Bovespa	94603.40	-4.80	-4.80	-0.48	-18.20
Russia Micex	2905.81	-2.04	-1.94	8.62	-0.76
India Sensex	38067.93	-1.45	-1.42	9.62	-6.79

Treasuries

Maturity	September Ask Yield	August Ask Yields	July Historical Yields %	June Historical Yields %	May Historical Yields %
2-Year	0.13	0.13	0.11	0.15	0.16
5-Year	0.28	0.27	0.20	0.29	0.30
10-Year	0.68	0.70	0.53	0.66	0.65
30-Year	1.46	1.47	1.19	1.41	1.41

Municipal Bonds

Maturity	Close	September	August Price Returns%	July Price Returns%	YTD Price Returns%
S&P Municipal Bond Index	270.43	0.02	-0.24	1.41	3.18
S&P Muni Bond Long Intermediate	283.19	0.03	-0.25	1.50	3.68
S&P Muni Bond Intermediate	269.05	0.05	-0.21	1.36	3.56
S&P Muni Bond Short	179.57	0.08	0.01	0.40	2.08
S&P Muni Bond Investment Grade	267.18	0.01	-0.29	1.35	3.27
S&P Muni Bond High Yield	323.29	0.20	0.43	2.18	1.71
S&P Muni Bond General Obligation	261.60	-0.03	-0.33	1.31	3.89

Commodities

Front Month Futures	Close	September	August Price Returns%	July Price Returns%	YTD Price Returns%
CRB Index	148.51	-3.07	6.63	4.15	-20.07
Oil/bbl	40.22	-5.61	5.81	2.55	-34.13
Natural Gas	2.53	-3.92	46.19	2.74	15.44
Gold	1887.50	-4.21	0.39	9.01	23.92
Silver	23.49	-17.38	17.43	30.61	31.10
Copper	303.25	-0.28	6.03	5.69	8.42
Nickel	14487.00	-5.59	11.61	7.73	3.72

Foreign Exchange

Currency	Close	September	August Price Returns%	July Price Returns%	YTD Price Returns%
Dollar Index	93.89	1.89	-1.29	-4.15	-2.60
Euro/USD	1.17	-1.80	1.34	4.84	4.53
USD/Yen	105.48	-0.41	0.08	-1.95	-2.88
GBPound/USD	1.29	-3.37	2.18	5.52	-2.54
USD/CAD	1.33	2.08	-2.72	-1.21	2.53
USD/Krona	8.96	3.61	-1.53	-5.81	-4.36
USD/Swiss Franc	0.92	1.90	-1.01	-3.63	-4.73

Source: Bloomberg

*All prices as of the close September 30, 2020

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