

# Monthly Market Commentary

## October 2020 Recap

Stocks fell in October, as a spike in global COVID-19 infections and uncertainty ahead of the 2020 U.S. presidential election weighed on investor sentiment. Also disappointing investors was a lack of progress on a fifth coronavirus relief package from Washington. The S&P 500 fell 2.8% for the month, while the Dow Jones Industrial Average lost 4.6% and the Nasdaq Composite declined 2.3%. Meanwhile, profit tallies from some of the world's largest companies garnered attention, as third-quarter earnings season kicked into high gear.

Stimulus negotiations between House Democrats and Republicans in the Senate and White House inspired a steady stream of mixed headlines. Stocks climbed for the first three weeks of the month as investors remained hopeful that a bi-partisan agreement could be reached. House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin seemed to make headway on a pre-election fiscal stimulus agreement, with both sides expressing optimism. However, talks stalled as the conversations failed to bridge differences on key issues, and Senate Republicans were reportedly becoming wary of the size of the deal that was being discussed. By month-end, market participants came to grips that a fifth relief package would not be delivered ahead of the U.S. presidential election. Meanwhile, data from several national polls suggested that Democratic presidential nominee Joe Biden had widened his lead heading into the November 3rd election, with financial press outlets suggesting a lower likelihood of a contested election had somewhat pacified Wall Street's fear of the unknown. However, questions surrounding the accuracy of polling data persisted, and options market continued to price in expectations of outsized volatility compared to previous election cycles.

Another source of October uncertainty was a notable increase in global coronavirus cases. The uptick inspired new restrictions in parts of the U.S. and Europe, underscoring the need for additional fiscal support as many investors questioned if the global economic recovery would stall. The World Health Organization cautioned that the northern hemisphere was facing a "dangerous moment" in the pandemic, as daily COVID-19 cases trended higher during the month. In fact, in the month of October the U.S. recorded the highest seven-day average of new infections since the start of the pandemic, while the global death toll from the virus surpassed a grim milestone of 1 million.

Despite ongoing political uncertainty and rising COVID-19 cases, a slew of better-than-expected third-quarter earnings results provided a dose of optimism. Of the 64% of S&P 500 companies posting profit tallies through the end of October, 86% of the constituents topped Wall Street earnings projections, according to FactSet, well above the five-year average of 73%. However, stock price reactions to the robust profit tallies remained muted, with just 45% of companies rising in the session after reporting third-quarter results, according to Bespoke Investment Group.

Information Technology stocks, which came into the month as the best performing sector in 2020, lagged in October. Microsoft (MSFT \$202.47) topped analyst profit projections, but fell after providing softer forward guidance. Apple (AAPL \$108.86) also bested consensus earnings and revenue estimates, but shares dipped amid disappointing third-quarter iPhone revenue. Energy stocks also underperformed, as WTI crude fell 11% in October amid softening demand projections. The Communication Services sector eked out a small gain, with Google-parent Alphabet (GOOGL \$1616.11) rising 10% on the month amid a rebound in digital advertising sales. Shares of Twitter (TWTR \$41.36) weighed on the sector, however, as the company posted its slowest user growth since 2017. The group also faced political scrutiny, with the CEO's of Facebook (FB \$263.11), Alphabet and Twitter appearing before the U.S. Senate in a congressional hearing concerning

**Investment and Insurance Products: NOT FDIC Insured, NO Bank Guarantee, MAY Lose Value**

social media's role in moderating public discourse. The traditionally defensive Utilities sector outperformed, rising 5%, while small cap stocks had their best relative performance against large cap stocks since November 2016.

Economic data was a relative bright spot, with robust readings on the U.S. housing market and a drop in initial jobless claims boosting sentiment. The first reading of third quarter GDP showed the U.S. economy surged at a 33.1% annualized pace in the July through September period, the steepest increase on record (after a 31.4% decrease the previous quarter). Meanwhile, the monthly jobs report showed non-farm payrolls increased by 661,000 in September, falling short of estimates, but the release also showed unemployment rate dropped to 7.9% from August's 8.4% reading. Bond yields rose in October, with the yield on the benchmark 10-year note finishing up 21 basis points at 0.86% after briefly hitting its highest level since June.

## **Disclaimers**

Pricing as of market close on October 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.

Additional information available upon request. Past performance is not a guide to future performance. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee as to its accuracy or completeness. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

## **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.

## Price and Total Returns

### U.S. Markets

Index	Close Price Return (%)	October Price Return (%)	October Total Return (%)	September Total Return (%)	YTD Total Return (%)*
S&P 500	3269.96	-2.77	-2.66	-3.80	2.76
Dow Jones Industrial Average	26501.60	-4.61	-4.52	-2.18	-5.38
Nasdaq Composite	10911.59	-2.29	-2.26	-5.11	22.57
S&P 400 Mid Cap	1900.18	2.09	2.17	-3.25	-6.63
S&P 600 Small Cap	876.59	2.49	2.57	-4.70	-13.08

### U.S. Sector Performance

Index	Close Price Return (%)	October Price Return (%)	October Total Return (%)	September Total Return (%)	YTD Total Return (%)*
Communications Services	196.55	0.54	0.79	-6.47	9.46
Consumer Discretionary	1172.03	-2.95	-2.93	-3.62	19.76
Consumer Staples	639.46	-2.99	-2.81	-1.48	1.20
Energy	216.82	-4.69	-4.42	-14.51	-50.38
Financials	396.09	-1.05	-0.81	-3.48	-20.90
Health Care	1184.32	-3.79	-3.68	-2.15	1.15
Industrials	641.01	-1.49	-1.43	-0.76	-5.36
Information Technology	1948.66	-5.15	-5.10	-5.37	22.13
Materials	396.87	-0.78	-0.78	1.34	4.65
Real Estate	211.46	-3.42	-3.33	-2.04	-9.88
Utilities	316.92	4.99	5.04	1.13	-0.93

### International Markets

Index	Close Price Return (%)	October Price Return (%)	October Total Return (%)	September Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	5577.27	-4.92	-4.75	-1.54	-23.91
Germany DAX	11556.48	-9.44	-9.44	-1.43	-12.77
France CAC 40	4594.24	-4.36	-4.36	-2.70	-21.47
Spain IBEX 35	6452.20	-3.94	-3.92	-3.62	-30.80
Italy FTSE MIB	17943.11	-5.64	-5.64	-3.04	-22.06
Greece ATHEX	569.50	-8.84	-8.84	-1.45	-36.28
MSCI Emerging Market	1103.46	1.98	2.08	-1.59	1.13
Shanghai Composite	3224.53	0.20	0.22	-5.17	8.19
Japan Nikkei 225	22977.13	-0.90	-0.90	0.80	-1.14
Hong Kong Hang Seng	24107.42	2.76	2.79	-6.44	-11.78
Brazil Bovespa	93952.40	-0.69	-0.69	-4.80	-18.76
Russia Micex	2690.59	-7.41	-5.83	-1.94	-6.54
India Sensex	39614.07	4.06	4.25	-1.42	-2.83

## Treasuries

Maturity	October Ask Yield	September Ask Yields	August Historical Yields %	July Historical Yields %	June Historical Yields %
2-Year	0.15	0.13	0.13	0.11	0.15
5-Year	0.38	0.28	0.27	0.20	0.29
10-Year	0.87	0.68	0.70	0.53	0.66
30-Year	1.66	1.46	1.47	1.19	1.41

## Municipal Bonds

Maturity	Close	October	September Price Returns%	August Price Returns%	YTD Price Returns%
S&P Municipal Bond Index	270.05	-0.14	0.02	-0.24	3.04
S&P Muni Bond Long Intermediate	282.65	-0.19	0.03	-0.25	3.48
S&P Muni Bond Intermediate	268.59	-0.17	0.05	-0.21	3.38
S&P Muni Bond Short	179.41	-0.09	0.08	0.01	1.99
S&P Muni Bond Investment Grade	266.74	-0.17	0.01	-0.29	3.10
S&P Muni Bond High Yield	324.06	0.24	0.20	0.43	1.95
S&P Muni Bond General Obligation	261.09	-0.20	-0.03	-0.33	3.68

## Commodities

Front Month Futures	Close	October	September Price Returns%	August Price Returns%	YTD Price Returns%
CRB Index	144.73	-2.54	-3.07	6.63	-22.10
Oil/bbl	35.79	-11.01	-5.61	5.81	-41.39
Natural Gas	3.35	32.73	-3.92	46.19	53.22
Gold	1879.90	-0.40	-4.21	0.39	23.43
Silver	23.65	0.65	-17.38	17.43	31.95
Copper	304.75	0.49	-0.28	6.03	8.96
Nickel	15128.00	4.42	-5.59	11.61	8.30

## Foreign Exchange

Currency	Close	October	September Price Returns%	August Price Returns%	YTD Price Returns%
Dollar Index	94.04	0.16	1.89	-1.29	-2.44
Euro/USD	1.16	-0.63	-1.80	1.34	3.87
USD/Yen	104.66	-0.78	-0.41	0.08	-3.64
GBPound/USD	1.29	0.21	-3.37	2.18	-2.34
USD/CAD	1.33	0.02	2.08	-2.72	2.55
USD/Krona	8.90	-0.66	3.61	-1.53	-4.99
USD/Swiss Franc	0.92	-0.42	1.90	-1.01	-5.13

Source: Bloomberg

\*All prices as of the close October 30, 2020

The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Any market prices are only indications of market values and are subject to change. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Additional information is available upon request. Please contact your Financial Advisor.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

©2020 Wells Fargo Clearing Services, LLC. All rights reserved. CAR# 1120-00474