

Monthly Market Commentary

We hope that you were able to enjoy the long Labor Day weekend! It's that time of year to enjoy the last bits of warm weather with family and friends before the colder months of Fall arrive. As always, during these uncertain times, we hope that you can remain safe and healthy!

Risk assets performed well over the last month with optimism for a vaccine, a decline in reported daily Covid-19 cases, and further commitment from the FED to keep rates low even if inflation overshoots in order to sustain the economic recovery. On the fiscal side, Washington has yet to come to an agreement on the next stimulus package, as many of the benefits from the Cares Act have expired or are scheduled to expire soon. While it is too early to assess the long-term implications of the massive deficit spending and low interest rates, these policies have helped backstop at least some of the damage caused to the economy in the short-term. On the flip side, some of the liquidity measures have also facilitated extreme risk taking and speculative activity in certain assets. Despite indexes making new highs, most of the performance this year has been concentrated in a very few individual stocks while overall breadth of the markets remains incredibly low.

High frequency economic data is starting to show signs of leveling off from its initial rebound and the trajectory of which remains recessionary. On the positive side, manufacturing and services PMI's have moved back to expansion territory, housing remains strong, and retail sales improved further. On the negative side, unemployment remains high and consumer confidence has declined below April levels. Over the next few months, expect volatility to stay elevated with uncertainty associated with elections, the path of the virus as fall approaches, and progress on a stimulus deal. We continue to remain defensive and selectively increase exposures as risk-reward skews more favorable.

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