



In this week's Highlights, Ryan Grabinski discusses how the worst may be over for the economy but the recovery remains rocky, Washington continues to wrangle over additional stimulus, and index concentration risk is a concern for the market.

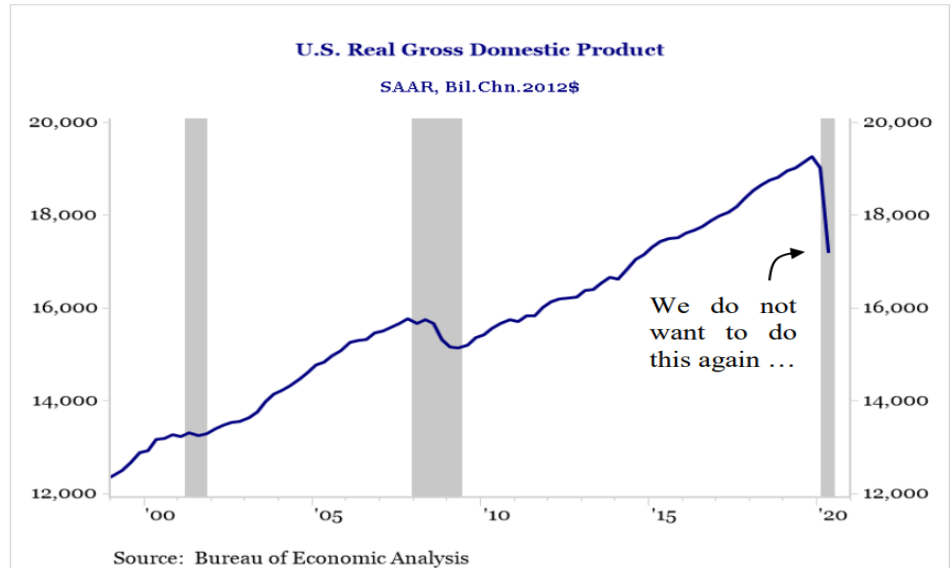


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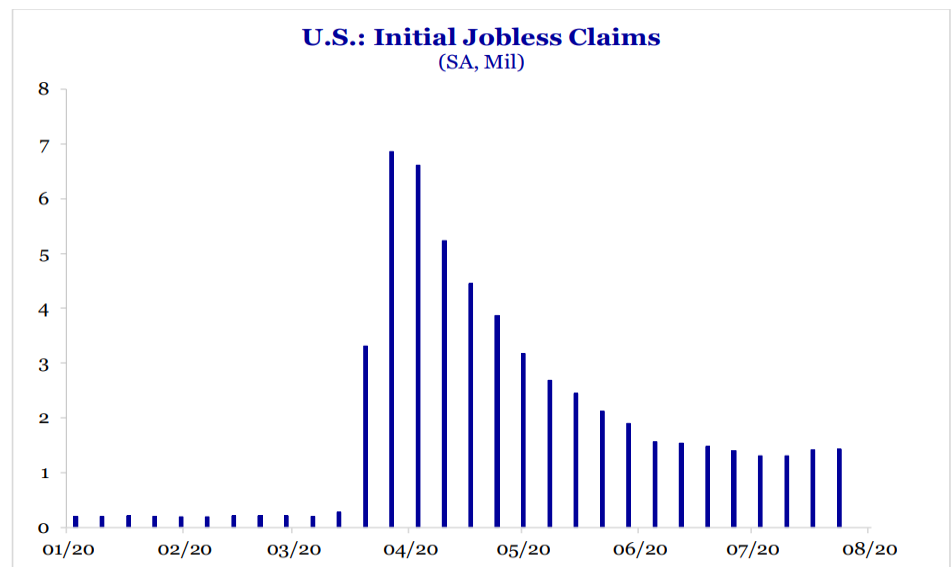
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Worst May Be Over, But the Recovery Remains Rocky

- The Q2 GDP release shows that the worst of the economic damage is likely over, but given rising case numbers and renewed local lockdowns, the recovery is losing momentum.



- Timelier data like OpenTable restaurant books, TSA traveler data, jobless claims, and even consumer confidence all show that the recovery is stalling.

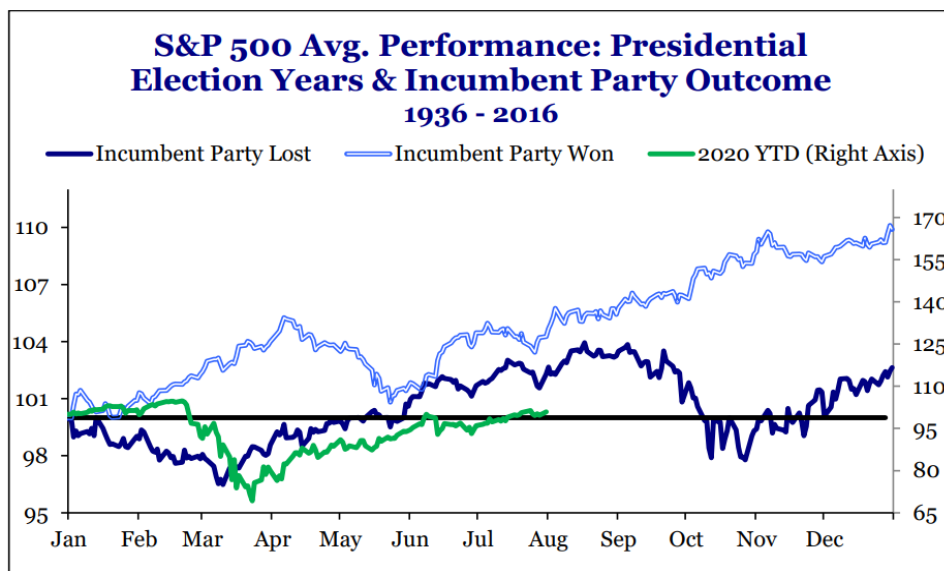


Stimulus Process Continues to Play Out

- With the slowing economic momentum and the expiration of extended unemployment benefits, the urgency to get an additional bill passed is growing. The longer it takes, the more economic damage may occur.

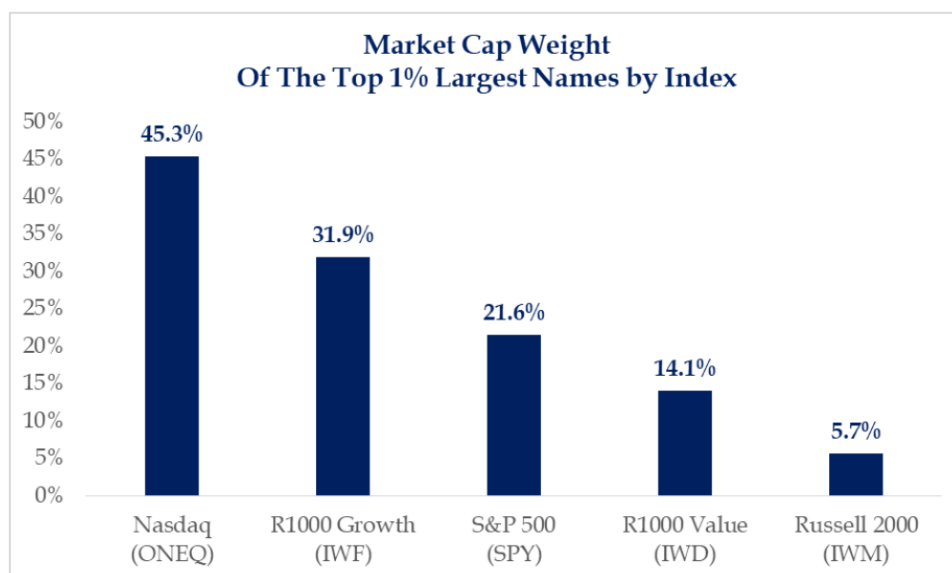


- Monday marks the start of the 90 days before the election. We have found that the 90-day period before the election is a great predictor of presidential elections. If the S&P 500 is higher in the 90 days, the incumbent party has generally won, and if stocks are lower, the opposition party has won. This has been true for every election since 1984 and 87 percent of the time since 1928.



Over Concentration Remains a Market Risk

- With the Fab Five beating earnings estimates handily this week, it feels like Facebook, Amazon, Apple, Microsoft, and Google are untouchable. Furthermore, these companies continue to grow, and in a time when investors are attached to the idea of growth at any price, it seems they will continue to rise. In the past, it has been precisely the time at which a company cannot lose when the investor in common stocks should be most fearful.



- Among the many unintended consequences of QE-forever has been the surfeit of non-earners among the ranks of the major indices. The pandemic caused a jump in the number of unprofitable companies for both large and small caps.

Percent Of Non-Earning Companies			
	Current Reading	Long-Term Average	Highest Reading Since 1990
Russell 1000 Growth	21.5%	10.0%	33.5%
Russell 1000	19.0%	11.1%	28.4%
Russell 1000 Value	16.3%	12.3%	37.0%
Russell 2000 Growth	52.3%	27.8%	52.3%
Russell 2000	44.0%	26.2%	44.0%
Russell 2000 Value	38.4%	23.8%	46.2%

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