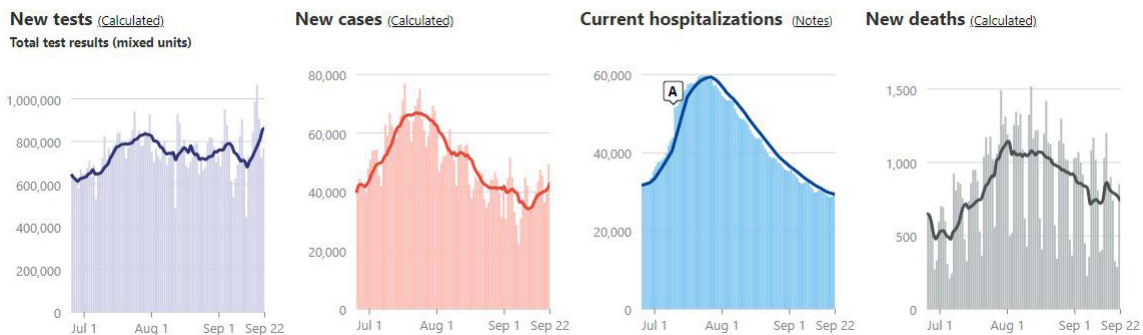


WEEK IN REVIEW

FRIDAY, SEPTEMBER 25TH 2020

- THE U.S. HAS REACHED ANOTHER INFLECTION POINT in new coronavirus cases. After the first resurgence began to slow down materially, with new cases falling to close to 30,000 per day, the re-opening of schools and colleges across the country has fueled another increase in new cases.



Source: covidtracking.com/data

- THE TREND IN HOSPITALIZATIONS AND NEW DEATHS continuing to decrease simultaneously confirms the notion that younger, healthier folks are the ones now getting the disease. While not good on the macro-level, at least new deaths continue to decline.
- DESPITE THE GROWTH OF THE VIRUS, or partially because of it, companies who are starting to report their third-quarter earnings are posting very good numbers. Nike blew out top-line and bottom-line estimates (Nike is one of the few retailers with a pure direct-to-consumer online business). The Single-Family Homebuilding segment posted strong fundamental growth data with KB Homes exceeding unit expectations and top and bottom-line expectations. Even manufacturing firms such as Cintas (uniforms) have posted better-than-expected earnings numbers.
- LEGISLATORS REMAIN AT LOGGERHEADS regarding a new stimulus package. After some back and forth, Republicans stated last week that they may be done negotiating, while Nancy Pelosi suggested staying in session until a deal was hammered out. Democrats have come down from their demands of \$3 trillion to closer to \$2 trillion, with a focus on state and local spending that seems to have created a rift between parties. October could introduce more uncertainty since many in Congress will return to their homes to begin campaigning.

- THE DEATH OF RUTH BADER GINSBURG (RBG) marks a loss for progressives in the courtroom and Americans everywhere. Republicans including President Trump, Mitch McConnell, and Mitt Romney have moved quickly to confirm that they will be replacing her before the election, rather than await the next president. In doing so, the conservatives in the Supreme Court would retain a 6-3 supermajority. However, Republicans may be playing into an open opportunity for Democrats and progressives to re-energize their voter base.

THINKING AHEAD

Companies starting to report third-quarter earnings are posting high numbers. We continue to watch the trend in new cases, hospitalizations, and deaths related to the coronavirus. With no new rounds of fiscal stimulus in sight, consumer spending will be watched carefully for any drop off as government transfer payments fade, with a caveat being that consumer savings is at historically-high levels, providing a near-term buffer to reduced incomes. Discerning between relative winners and losers from this economic shift continues to be paramount for investment allocations. Pallas Capital Advisors maintains a balanced and conservative approach to asset allocation.

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