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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

With the economic recovery slowing, investors have been turning to third quarter earnings to gauge future market direction and, perhaps more importantly, what company leaders say about their forward-looking growth forecasts. This year, analysts have had a difficult time attempting to estimate company earnings due to the disruptions and uncertainty caused by the COVID-19 pandemic. Similarly, many companies have suspended reporting forward-looking profitability and growth forecasts. At time of print, the majority of companies in the S&P 500 that have reported, have beaten third quarter earnings and revenue estimates, likely reflecting overly bearish initial estimates thus far. Looking back at the second quarter, analysts aggressively cut earnings estimates due to the economic shutdown which, in turn, resulted in companies generally beating by a wide margin. Regardless of the numbers, investors will be looking to corporate leaders in hopes of one important message: lay-offs, job cuts, and cost cuts are behind them and they have a more stable business outlook ahead.

Economic momentum has slowed from recent months but some areas of the economy continue to hold up quite well—such as retail sales and housing. Conversely, other areas such as restaurants and travel remain far below where they were in February and will likely continue to struggle until the virus recedes and reopening expands. Retail sales posted a stronger-than-expected gain in September, boosted by residual government aid and seasonality factors. While abundant emergency government aid early in the pandemic helped inflate consumers' coffers, economists warn that those savings will soon be depleted unless another round of fiscal stimulus is finalized. The housing market continues to be a bright spot for the economy as well, reflecting persistently low interest rates, pent-up demand caused by spring shutdowns, a shift in consumer preferences caused by the pandemic as Americans seek more space and flock from large metropolitan cities, and the belief that a work-from-home lifestyle will be long-lasting.

While headline 2021 economic growth numbers are forecasted to look strong, we must note that this is a partial rebound from a deep slump, rather than an economic boom. Additionally, as noted earlier, the recovery is prone to be uneven across sectors and industries. So although we head into the last few months of the year optimistic about the economic recovery, investor confidence remains fragile, thanks largely to the rising risk of a spike in virus cases domestically. Thus, we expect to see continued near-term volatility and we must emphasize diversification and a long-term investment mindset.

We thank you for your continued trust and confidence in us as we wish you a healthy and prosperous autumn season.

Sincerely,



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