3Q COMMENTARY 2020

2020 Q3 REVIEW AND FORWARD OUTLOOK

EQUITY MARKETS

Despite a correction during September, equities provided solid returns over the third quarter. Growth issues, led by large capitalization technology stocks, continue to outperform by a wide margin for both the quarter and for the year-to-date. The age-old lesson of diversification has never been more important than this year. The “catch-up” hill facing investors without growth exposure is long and steep. Looking forward, equity markets are likely dealing with higher-than-normal volatility, although not necessarily a lower market, for the remainder of 2020. Volatility pricing as indicated by the CBOE Volatility Index (VIX) has been high all year, and remains above normal, even for an election year.

Statistically the market does not tend to have downside surprises after elections—data indicates elections do not drive downside volatility. The worst-case scenario is usually baked in prior to the election—and often the market tends to get an upside boost.

QTD	VALUE	CORE	GROWTH
LARGE	5.59	9.47	13.22
MILD	6.40	7.46	9.37
SMALL	2.56	4.93	7.16

YTD	VALUE	CORE	GROWTH
LARGE	-11.58	6.40	24.33
MILD	-12.84	-2.35	13.92
SMALL	-21.54	8.69	3.88

Source: John Hancock; 3Q 2020 Capital Markets Performance Report

The President’s recent diagnosis reminds us that COVID retains primacy over everything else. Markets and the economy will turn on positive virus developments. Following the election, vaccine news is almost certainly going to be the driver. There are five vaccines in late-stage trials. Unless all five fail to prove effective, there is good reason to be optimistic for 2021.

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EQUITY MARKETS CONTINUED

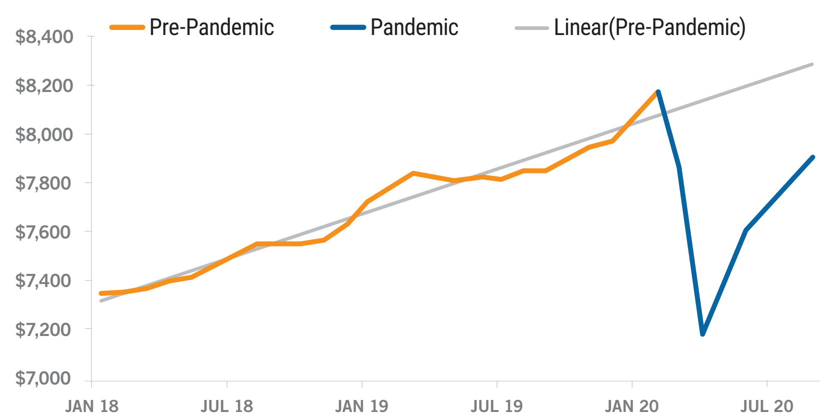
Recent high-frequency economic data is encouraging:

- **CONSTRUCTION** is set to explode
- **INVENTORIES** are poised to advance
- **REOPENING MOMENTUM** continues
- **GLOBAL GROWTH** improves

Stock markets continue to have a tailwind of liquidity. Overnight interest rates anchored at zero for years to come allows the market to trade at higher valuations. Stocks have little competition from rates for investor dollars. Five trillion dollars in overnight money market funds supplies enormous fuel.

ORGANIC INCOMES ARE RISING

PRIVATE WAGES & SALARIES



Source: Renaissance Macro Research, Haver Analytics

CREDIT MARKETS

The bond market ended the quarter in a much better place than in June. This was illustrated by bonds with lower credit ratings outperforming higher-rated bonds. For the quarter, most major bond indices had positive returns. US Corporate High Yield was a leader for returns with the Bloomberg Barclays US Corporate Index +4.49% for Q3[1]. Treasuries return was +0.31%[2]. Treasuries for the year continue to lead all bonds in total return as the same Index was up 8.89%.

BOND RETURNS (ENDING 10/1/20)

	YTD	3RD QTR
US TREASURIES	8.90%	0.17%
US AGGREGATE	6.79%	0.62%
US CORPORATES	7.20%	1.97%
MUNICIPALS	3.33%	1.23%
HIGH YIELD	-0.30%	4.71%

Source: Bloomberg Indices

[1] Bloomberg Indices Data

[2] Bloomberg Barclays US Treasury Index

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DISCLOSURES

Past performance is no guarantee of future results.

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