

Money Talks

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Market Comment

This has truly been a transitional year for America. In early January, if someone could have read the headlines in August – “*Pandemic Continues, Yet Financial Markets Near All Time Highs*,” – one would have jolted out of their seat, dropped their drink, and adjusted their glasses! A pandemic? And yet, the stock market is doing *well*?

Fast forward to today, it may not elicit the same reaction, but it is still hard to believe. However, if one looks beneath the surface, there are dramatic shifts occurring that are propelling not only financial markets, but our society as well.

The strong equity gains are largely a result of strength in technology and communication service stocks. The mega-caps that garner the most headlines make up a large portion of the popular index, the *S&P 500*, but the bullish sentiment permeates the entire industry. At present, investors fret over the strong run they have experienced this year leading to extended valuation levels in these companies. Are the gains sustainable?

The technological revolution has been brewing for some time. It began with the growth in hardware, such as computers and printers, then software advancements helped to power these machines. The internet disrupted the whole ecosystem by connecting devices across the world. More recently, smartphones have become minicomputers in our pockets powered by impressive developments in the semiconductor industry.

When 2020 arrived, the world was in the early stages of experimenting with the next phase, the digitization of services. Early entrants such as *Amazon (AMZN)*, with its e-commerce initiatives, disrupted the scene by creating its

own cloud-computing unit to service the needs of its online retail growth efforts. In the process, it introduced a way for companies to store and access data in a cost efficient way, allowing firms to set up digital solutions without the need for high cost technological infrastructure.

Because of all of these innovations, companies such as *Zoom Video Communications (ZM)* could provide online video and chat services through a cloud-based software platform. Many more have followed suit and, prior to this year, had seen mixed results for their services.

For example, telehealth companies such as *Teladoc Health (TDOC)* had seen subdued demand for its products until this year. Others who have also benefited from stay-at-home policies brought on by the pandemic include *HelloFresh*, a meal kit provider based in Germany. It's US operations have experienced strong interest as folks cooked more at home.

The list goes on. If one took a poll around the neighborhood, it would be interesting to see how many have tried new online services that otherwise would have required a trip to the grocery store, a visit to the doctor's office, or even a trip to the gym!

Once life gets back to “normal” though, will demand for these digital enterprises decline? It is hard to say, but there are signs that they may stick despite lifting of strict social guidelines.

Several companies are questioning the need for office space as work-from-home initiatives help employees avoid difficult commutes and high price areas, while fostering a balance of family schedules. Education is also likely to see shifts as schools upgrade technology solutions to help students balance learning both in and out of school.

In summary, the extreme circumstances brought on by the health crisis have

accelerated the changes that were already taking place. While many companies leading in the new digital age have been handsomely rewarded by investors (leading some to question if their stock prices have gotten ahead of themselves), there is no doubt that their contributions to society during this time have been instrumental in keeping people connected, employed, educated, and healthy.

Technology is also changing how we view society. Social media platforms enable the transmission of information to large audiences instantaneously. The transition to digital social networks is helping to increase dialogue on important issues including justice, racial and gender equality, and climate change. Where many efforts have stalled in the past, recent movements, including Black Lives Matter, have been met with widespread support across both corporate and civil organizations.

At the time of this writing, the 100th anniversary of the ratification of a woman's right to vote is at hand. Who would have guessed that around the same time, the first Black and Asian American woman vice presidential nominee would be announced? Nobody knows how things will turn out in November, but the milestone expresses a communal willingness to embrace change that could welcome a much more inclusive, diverse, and compassionate society.

The fall ushers in the final stretch for the year. There is a lot ahead for investors to digest including elections, how the pandemic will play out as conditions for its spread increase, and, as always, geopolitics, namely tensions with China. Challenges abound – that is one thing that never seems to change!

(Continued on page 2)

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STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	<u>08/11/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
<u>SPDR Wells Fargo Preferred Fd</u> (PSK) <i>Preferred securities ETF</i>	43.27	5.30	N/A
<u>AT&T</u> (T) <i>Worldwide telecom & media company</i>	30.20	6.89	3.21
<u>Vanguard Real Estate Fund</u> (VNQ) <i>Real Estate REIT ETF</i>	81.33	3.82	N/A
<u>Verizon</u> (VZ) <i>Leading wireless telecom provider</i>	58.51	4.20	4.78
<u>Prudential Financial</u> (PRU) <i>Large life insurance co</i>	70.74	6.22	9.33

GROWTH STOCKS

	<u>08/11/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
<u>The Walt Disney Co.</u> (DIS) <i>Media networks and resort destinations</i>	130.49	70.0	1.86
<u>JPMorgan Chase & Co.</u> (JPM) <i>Global financial services firm</i>	103.82	17.4	5.96
<u>ABB Ltd.</u> (ABB) <i>Industrial equipment and systems</i>	25.97	32.5	0.80
<u>Apple, Inc.</u> (AAPL) <i>Multinational technology company</i>	437.50	33.9	12.92
<u>Comcast</u> (CMCSA) <i>Global telecommunications conglomerate</i>	42.99	17.9	2.40

GROWTH AND INCOME STOCKS

	<u>08/11/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
<u>Pfizer</u> (PFE) <i>Global biopharmaceutical company</i>	37.79	4.02	2.90
<u>Procter & Gamble</u> (PG) <i>Worldwide mfr of consumer goods</i>	133.23	2.37	5.40
<u>Kimberly Clark</u> (KMB) <i>Global health and hygiene products</i>	155.79	2.75	7.69
<u>Johnson and Johnson</u> (JNJ) <i>Manufacturer healthcare products</i>	146.97	2.75	7.85
<u>Walmart</u> (WMT) <i>Retail giant</i>	130.20	1.66	4.93

AGGRESSIVE GROWTH STOCKS

	<u>08/11/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
<u>Salesforce.com</u> (CRM) <i>Enterprise software for client relationship mgmt</i>	191.99	170.6	1.13
<u>PayPal</u> (PYPL) <i>Worldwide on-line payment system</i>	189.03	70.0	2.70
<u>SS & C Technologies</u> (SSNC) <i>Software services to financial service providers</i>	61.34	15.8	3.88
<u>Alphabet Inc.</u> (GOOGL) <i>Internet search engine, cloud computing, delivery svcs</i>	1,480.54	33.1	44.74
<u>Check Point Software</u> (CHKP) <i>Internet security solution provider</i>	123.99	21.0	5.91

(Continued from page 1)

However, it is encouraging to see the willingness of public administrators and monetary officials worldwide to step in and support consumers, businesses, and financial markets. For now, they have expressed continued readiness to do more, if necessary (albeit with the usual brinkmanship in politics).

The good news is that the public at large is adapting and working together to overcome the health crisis. The year has been difficult, but there has been some notable change for the good and advancements in our community that should lead to a better tomorrow. Until then, we are here for you and will work diligently to help achieve your wealth management goals.

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