

# September Starts Somewhat Shabby and Sour...

By Bob Deitrick, CEO, ChFC

September 23<sup>rd</sup>, 2020

What does it mean when the market has a correction after a big run up like the one that we experienced in late-July through August? The answer: It's not much to fret about.

- *There are 4 key factors why we at PFP believe that stocks will continue to appreciate demonstrably over the coming months and years. Among those factors are the Fed and ongoing fiscal policy, a global labor shortage, exceptionally resilient capital markets, and the growing population of millennials in these great United States.*
- *We concur with Fundstrat analyst Tom Lee that "2020 is likely the start of a new bull cycle that may last as much as 20 years."*
- *The Fed's liquidity-boosting places the U.S. economy on track for a 2009-like upturn.*
- *Fed Chairman Powell signaled last week that the central bank will likely hold rates near zero through 2023 and he intends to maintain asset purchases of at least \$120 billion in Treasuries and mortgage-backed securities per month.*
- *This excess-liquidity trend is like the post-peak reversal we witnessed as the economy emerged from the 2009 recession.*
- *The Fed's policy reinforces the dogma that we remain in a strong economic cycle.*

*Stocks have demonstrated exceptional resilience in 2020, despite COVID and the pandemic around us. Steven and I believe if things remain constant, the market will likely move forward – despite who wins in November... There are 4 primary factors driving this belief on our part:*

- ***Federal support and fiscal policy***

*The Federal Reserve and fiscal policy have created massive support to our capital markets, and we believe last Wednesday's decision to keep rates lower, through 2023, underscores the Fed's desire to be a backstop for the market. In our view, you cannot fight the Fed and it is very foolish to do so; however, we add this economic policy is not the sole factor driving stocks higher.*

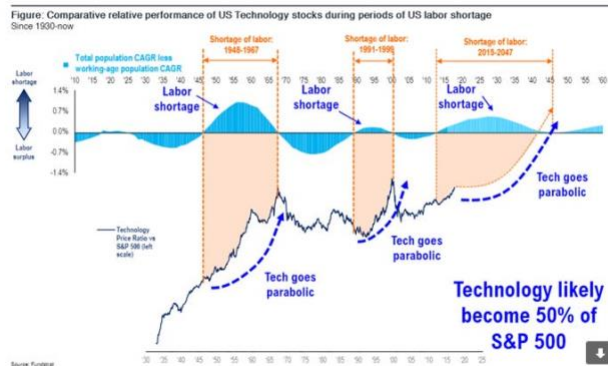
- ***Stocks are more valuable within the current capital structure***

*Most US corporations have survived the most extreme stress test of their lifetimes during this global pandemic, and those who are adapting to the new order will continue to prosper. Within the corporate capital structure, stocks are more valuable in a time of stress than previously exhibited.*

- ***A Global Labor Shortage Exists and this is Good for Tech***

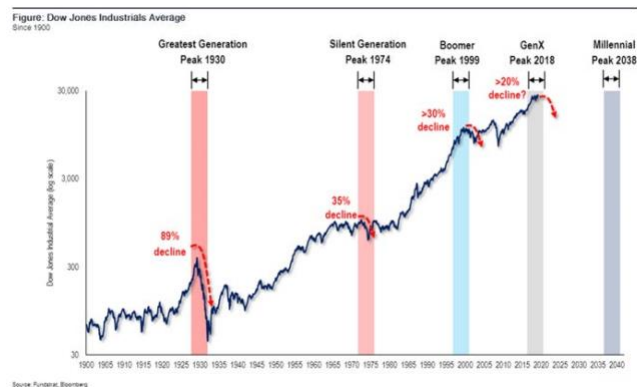
*According to Tom Lee, the world's current "structural labor shortage" will be a key driver behind the momentum for domestic stocks. Since 1930, periods of US labor shortages have consistently led to*

**"parabolic gains" in technology stocks. The United States has had a structural labor shortage since 2015, and the world is becoming more reliant on technology to offset this labor supply contraction. We believe that the tech sector is likely to become 50% of the S&P 500 in the next few years.**



- Millennials are now driving the US economy**

**Millennials are the single largest generation in the United States today, yet they are not expected to peak in size until 2038. Since 1900, every generational "peak" coincided with a "major market top" of the Dow Industrial Average. 2020 is likely the start of a new bull market that may last 20 years.**



**Again, corrections are not pleasant, especially during your birth month. However, as I have said before, market corrections are a beneficial and needed component to a healthy market. This too shall pass as we suspect this market will move forward to the extent the news cycle remains constant.**

**Finally, on a Christmas note, as a reminder, we have elected not to have our annual Holiday Party during the pandemic, which practically is just not a good idea. Therefore, we will be having a virtual Eddie Merlot's and Honey Baked Ham Christmas in the alternative. We will be announcing how that will take place soon. Again, please do not fret during the recent downturn as we are unconvinced it will be long-lived. Have a great week, stay safe and enjoy the beautiful autumn weather. Enjoy a terrific weekend coming up!**