

Thanksgiving Means a Happy VIX, New All-Time Highs for the Market and Please Stay Safe This Holiday

*By Bob Deitrick and Steven Morgan
Thanksgiving, 2020*

As we all retreat to visit family and friends over the Thanksgiving Break, we ask that you strive to stay safe during this challenging period in our lives. Having said that, the good news is that we suspect there will be a nice rally to close out this year if two things fall into place.

First, we need an orderly, peaceful transfer of power to the new administration. The election is over, and the President appears now to be moving on. As this takes place, greater stability will be created in the markets. We also predict that the VIX will fall below 20. A VIX below 20 would create a major risk-on indicator suggesting lower volatility in the coming weeks moving forward.

- *A collapse in the VIX, the index that measures expected volatility in stocks, signifies an upside for equities.*
- *This market has been resilient all year long and clearly it wants to move higher. We believe investors would be in full risk-on mode if the VIX moves below 20. The VIX closed to 21.64 on Tuesday down another -4.50%.*
- *A VIX below 20, in tandem with a peaceful transfer of power to the new Biden administration would signal to investors the market is moving higher into the New Year.*

If the VIX falls below 20 - this would be the first time since the start of the pandemic it has fallen below this level. The VIX measures the expected volatility of the market, and since the spike near 40 prior to the election, it has been in a free-fall mode. The VIX traded below 20 most of last year which was a strong year for equities. Yesterday the Dow and the S&P 500 both hit record all-time highs on the news that a transition of power is commencing.

As the VIX moves lower, Steven and I expect the S&P 500 may march toward 3800 to close out this year and we will be looking at a 4000 mark on the S&P 500 to start 2021. We have called the market correctly this year and feel we are well positioned moving forward. We will make minute course corrections into the New Year, but for now our recommendation is to stay the course.

This has been a challenging year for all with the pandemic. We want you to know that our thoughts and prayers are for each of you to have a safe holiday season. Celebrating virtually or with members of your own household poses the lowest risk of spread.

We are not preaching; we simply want everyone to remain safe during this Holiday season. We have had several friends and clients contract COVID, and you do not want to get this virus. Please stay safe until we get this mess under control. The CDC guidelines for holiday gatherings follow:

<https://www.cdc.gov/coronavirus/2019-ncov/daily-life-coping/holidays.html>

Happy Thanksgiving to you and your family and enjoy the Holiday. Our next newsletter will discuss plans for the Christmas Holiday.

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