

October 19, 2020

Dear Valued Client,

The end of 2020 is within sight, and I know many of you feel that it couldn't come soon enough. In so many ways it has been a year like none other. For Alpine Bank Wealth Management though, we know our priority is always to serve your needs. Yes, we've had to make changes in the way we communicate and keep in contact, but the service priority has not changed and never will. It is one thing you can count on no matter what else is happening.

Likewise, from an investment perspective, fall has finally arrived. As students head back to school, the S&P 500 has rallied 50% from its March low, and the tech-heavy Nasdaq index continues its outperformance seen throughout much of this year. Though domestic markets seem to have already made a recovery (and then some), much uncertainty remains. COVID-19 cases and hospitalizations within the U.S. appear to be plateauing while Europe is seeing an increase in cases, causing many to worry the U.S. could follow suit. No matter how one looks at it, policy makers face tough decisions in navigating the trade-offs between keeping the public safe and fully opening the economy back up.

While the economy shows signs of stress, it isn't without some hopeful developments. The U.S. economy was officially declared to be in a recession after the close of the 2nd quarter. Following in the 3rd quarter, manufacturing numbers steadily improved for four straight months, GDP numbers showed signs of recovery, and existing and new home sales recently hit 14-year highs. On the other hand, initial jobless claims remain stubbornly high, and many companies in the entertainment and travel industries still suffer from sudden losses of revenue and weak demand. This mix of positives and negatives have led most market forecasts to indicate a softening of returns through the remaining months of this year as investors and money managers find their way through uncertainty.

On the pandemic front, several pharmaceutical companies are entering the last stages for a vaccine, which may be available by the end of the year. The U.S. government has ordered millions of 15-minute COVID-19 test kits to help identify cases faster which may accelerate a reopening of the economy. Many companies have also been forced to "adapt or die" and thus invested heavily in technology solutions they may not have implemented for several years. The advance in technology throughout the onset of this pandemic likely explains the performance for stocks in the tech industry.

These gains bring to mind a time reminiscent of tech stocks in the late 1990s, and consequently the recent pullback brings about worries of another tech bubble bursting. This seems unlikely to occur since tech stocks have seen explosive growth in their earnings compared to their pre-pandemic levels, and so many of these valuations may be justified.

A question we have been asked by many is how the election will impact markets and client portfolios. Presidential candidates seem to be growing more enthusiastic and grabbing more media attention than ever before, but historically these election years do not have a substantial bearing on market performance when compared to non-election years. This is important to note as it reinforces the concept of 'time in the market' and not 'timing the market'. Maintaining objectives and sticking to your investment plan is just as important now as it has ever been.

Sincerely,



Tim Kenczewicz  
President  
Alpine Bank Wealth Management



Austin Hastings  
Investment Officer  
Alpine Bank Wealth Management