From the desk of the CIO
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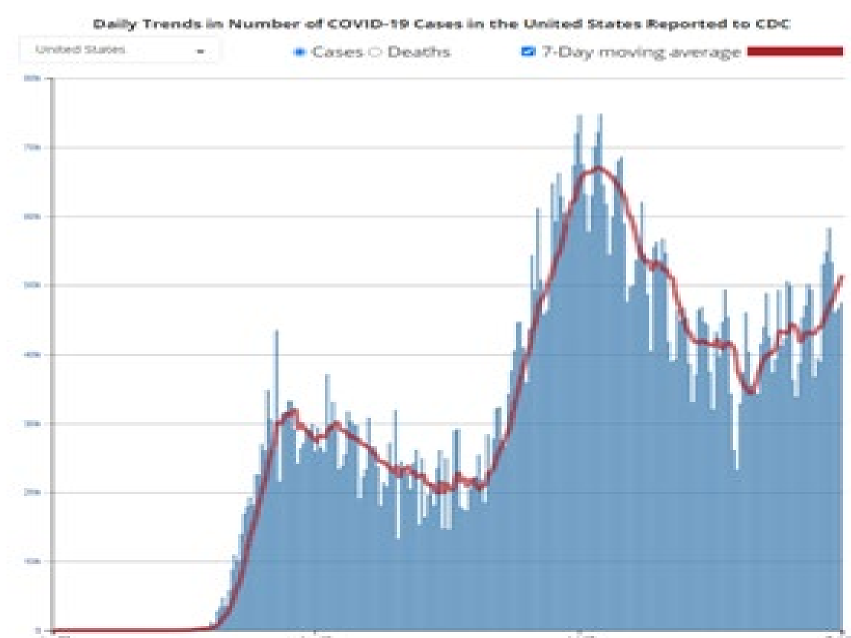
COVID-19 Economic Update

As the world enters the halfway mark of the 8th month of the global pandemic, the number of new COVID-19 cases in the United States has increased in recent weeks (see chart below). Setting the human toll aside, it is important to follow case numbers because significant increases may cause renewed government imposed restrictions that could slow economic activity, at least that's what worries the financial markets. It is also uncertain how each state, county and city would react to a dramatic rise in cases. Florida Governor, Ron Desantis, has indicated he will not shutdown the Florida economy again, regardless of virus case numbers. Other governors and local leaders have reacted differently. The good news is that when cases spiked during the mid-summer months, restrictions were more targeted, instead of expansive shutdowns. We hope precision reactions by government will be the norm going forward, understanding that reactions also largely depend on any stresses placed on local health care systems.

Abroad, China also experienced a surge in cases over the summer and likewise responded with targeted measures that were effective, preventing a reversal of their current economic rebound. These recent reactions are a good sign as global economies continue to learn to live with the virus for now. However, uncertainty remains as a powerful sentiment driver. Just a few short months ago, the world's largest asset manager, BlackRock, upgraded their view of European equity to "overweight", citing solid public health measures and the thesis that the Eurozone was ahead of the U.S. on the economic recovery time continuum. But, in recent weeks, the Eurozone has experienced an unexpected uptick in the number of new coronavirus cases.

In response, you'll note we have recently sold our European Stock ETF in accounts that held the position while maintaining your position in emerging Asian markets where already held.



The Election

The national election is just two weeks away. This is easily the most divisive election we remember. No matter the outcome, we hope people will return to a more civil discourse in discussing the issues that face our nation in order to solve problems instead of placing blame on the other side.

There is simply no precedent to predict a direction the market may move based on the election outcome. We suggest sticking with your investment plan and letting time-tested principles work for you. Of course, we are happy to review and discuss your personal plan at any time, so don't hesitate to call with questions. See below for some additional perspective.

Investment Update

As a client of Integra Capital Advisors, you are generally invested in the stocks and bonds of publicly traded companies and other asset types. This may be through direct ownership of individual securities or through ownership of pooled investment vehicles like mutual funds or exchange traded funds (ETFs). For clients where appropriate, we also invest in private market or non-traded fund opportunities. Today, there are 4,000 publicly listed company stocks, give or take. Compare that to the late 90's when the stocks of nearly 12,000 companies traded on the public exchanges. Publicly traded companies today are generally larger and better capitalized than the companies of 30 years ago. Companies often stay private longer because capital is more widely available to private companies than it ever has been. In addition, listing shares for trading on public exchanges is expensive and requires a lot of regulatory compliance disclosure and transparency, which is good for investors, but tough on companies.

Many companies haven't missed a beat in the pandemic. Some have even benefited from the dynamics of the current COVID-19 outbreak. Others have faltered as their business has been directly impacted by the change in lifestyle of the last 8 months. In particular, these would include restaurants, clothing retail, travel and leisure sectors. Surprisingly, few have (at least so far) filed for bankruptcy other than some retail and restaurant chains. However, the continued operation of others may be dependent on more government stimulus. Only time will tell.

The important point here is the rise in stock prices is not irrational, at least not yet. Many reputable forecasters are predicting record levels of overall corporate profits in 2021. Financial markets are anticipatory, or at least engaged in educated anticipatory guessing. Companies have taken advantage of record low borrowing rates to further reduce their cost of capital, thus boosting profits. In many cases, the pandemic has accelerated company's efforts to operate leaner and more efficiently, also potentially resulting in greater profitability going forward. We expect a bumpy ride over the coming quarters but the worst of the economic impact from the pandemic and government-mandated shutdowns seem to be behind us.

As always, members of the Integra Capital team are here to answer your questions and concerns. We are sensitive to your personal situation and objectives, regardless of prognostications of the future for markets and economies by supposed "experts".

Disclosures