Weekly Market Review

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In a week filled with uncertainty surrounding the election and a sharp rise in COVID-19 cases, a fair guess would be the stock market had a rough week. Remarkably, the S&P 500 posted its best weekly gain since April. It was a week driven by headlines and expectations of what might come from the U.S. elections. Weeks like this are impossible to trade around. Like any other volatile period, the best plan is to maintain a long-term outlook and try to block out the noise from these uncontrollable events.

Presidential elections are hard enough to predict with any certainty. How the stock market will react to these potential outcomes is almost impossible. Four years ago, analysts predicted the stock market would experience a sell-off if Donald Trump were elected. They were correct for a few hours overnight when the Dow Jones Industrial Average was down over 800 points. However, the index finished the day after the election up over 1% and continued an upward trajectory from there. This time around, predictions were all over the place with how analysts saw stocks reacting to either candidate winning the election. One of the more overlooked outcomes was a split between Democrats and Republicans in Congress, which looks to be the most likely outcome at the time of this writing. A split in Congress is assumed to lead to a more moderate agenda, allowing the stock market to worry less about sweeping overhauls to different economic areas, especially the tax code.

Much of last week's rally was based on expectations and predictions, but the week did end positively for the economic picture. The October jobs report showed positive jobs growth for the sixth straight month, albeit at a lower level than prior months. The private sector added over 900,000 jobs, with the industries most beat down by the COVID-19 pandemic leading the charge in hiring. Government layoffs of temporary census workers detracted the total monthly gain to 638,000 jobs and pushed the unemployment rate below 7%. While moving in the right direction, there is still much work to be done as the economy still has not recovered 10 million jobs lost during the pandemic.

While jobs growth continues to move in the right direction and politics are luckily not causing the expected volatility, at least for now, risks remain in the stock market. COVID-19 took a backseat in headlines to the election, but cases continue to rise to record levels. Just like trying to trade around the election, trading around COVID-19, or any other risks that may appear, is just as difficult. The best strategy to manage environments like this is to shut out the noise and invest for the long-term.

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