

Markets Drop Among Hope for Positive News

Volatility continues and all major U.S. indices have dropped back to their respective 50-day moving averages. This follows a week of steady selling. The S&P 500 has dropped nearly 4% in that time. Third quarter earnings season is in full swing. As we have pointed out, companies across the board are doing better than was expected just a few short months ago. Markets are forward-looking and this is what has caused a steep rise from the March lows. Investors seem to have fully discounted the damage caused by the Covid-19 pandemic, as well as the immediate economic recovery.

We are now rangebound and waiting on something positive to move us forward. Price alone wants to move higher, but it needs some help and so far, is not getting it. Our political leaders seem unable to pass an additional stimulus bill at a time when it is much needed. Unemployment remains markedly elevated. The Covid-19 pandemic appears to be getting worse instead of better, with the U.S now setting daily records for infections. Finally, we remain mired in political and social gridlock. With all the obvious uncertainty, I am pleased that stocks are holding up as well as they are.

My gut is that if we can get any shred of positive news on any of the above-mentioned fronts, markets across the board will quickly move to the early September highs. With that said, it might just be wishful thinking. If so, we should see more volatility and the possibility of a sharp selloff heading into the November 3 election.

Last week's market commentary can be found [here](#).



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