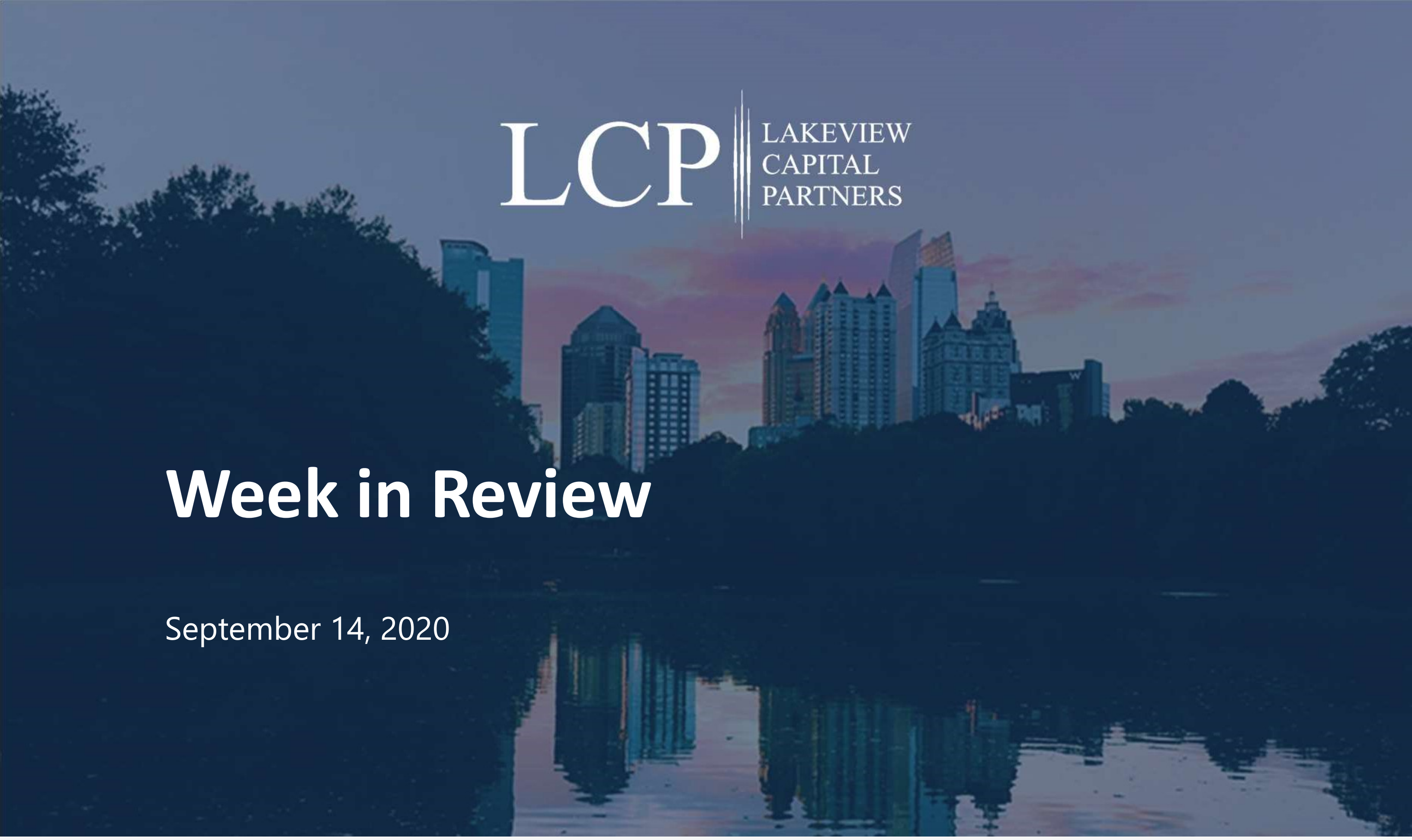


LCP LAKEVIEW CAPITAL PARTNERS

Week in Review

September 14, 2020

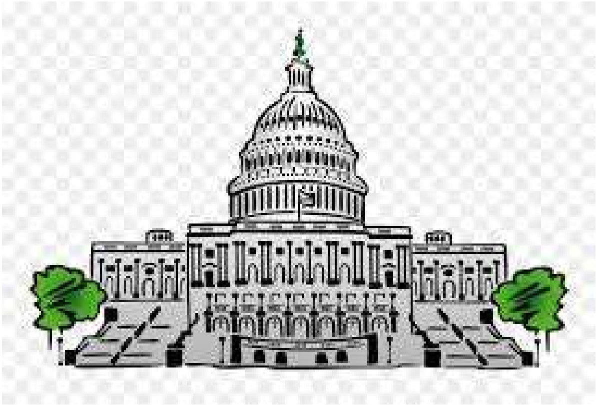
LAST WEEK IN REVIEW

Last week stocks pulled back further from recent highs in a shortened but highly volatile trading week. The technology-heavy Nasdaq Composite Index fared worst and ended the week in correction territory, or down more than 10% from the all-time high it reached on September 2. Tech shares were also among the weakest within the S&P 500 Index. At the same time, energy stocks suffered as domestic oil prices sank below USD 40 per barrel for the first time since July, in part because of Saudi Arabia cutting oil prices for some customers. The small materials sector outperformed, and industrials shares also proved resilient. The market was closed Monday in observance of Labor Day.

LAST WEEK IN REVIEW - Con't

Trading began Tuesday on a down note, although traders I spoke with noted that there appeared to be no specific catalyst behind the declines other than continuing talk of overbought conditions on Wall Street following the recent rally. The continuing lack of progress in Congress on a new stimulus package also seemed to be weighing on sentiment, with investors particularly worried about the building financial pressures on states and municipalities. On Thursday, Republicans brought their "skinny" USD 300 billion relief package to a vote in the Senate, but it was blocked by Democrats, who passed a package roughly 10 times as large in the House of Representatives in May.

News late Tuesday that AstraZeneca was pausing the trials of its leading coronavirus vaccine candidate after a participant developed a severe neurological disorder may have also weighed on sentiment. After recent reports that the White House was considering the vaccine's fast-track authorization as soon as late October.



Source: **www.clipart.com**

U.S. – MARKETS & ECONOMY

The week's economic calendar sent conflicting signals. On Thursday, the Labor Department reported that initial jobless claims remained steady at 884,000 for the week ended September 5, defying consensus expectations for a decline. Continuing claims also rose unexpectedly, moving higher for the first time since mid-July. On the bright side, July job openings beat expectations, and early reports suggested healthy retail sales over the holiday weekend. A gauge of small business optimism also rose unexpectedly in August after July's drop. Inflation data released Friday also surprised on the upside, with both core (less food and energy costs) and headline consumer prices rising 0.4% from July to August. A jump in used car prices—the largest in over five decades—was partly responsible for the uptick as Americans shunned public transportation and air travel. So for those who speak emoji, it was the person with their arms up, and shoulder shrugged.

U.S. EQUITY MARKET PERFORMANCE – As of close Friday, September 11, 2020

Index	Friday's Close	Week's Change	% Change YTD
DJIA	27,665.64	-467.67	-3.06%
S&P 500	3,340.97	-85.99	3.41%
Nasdaq Composite	10,853.54	-459.59	20.96%
S&P MidCap 400	1,855.29	-42.81	-10.07%
Russell 2000	1,497.77	-38.25	-10.23%

Source: Bloomberg. This chart is for illustrative purposes only and does not represent the performance of any specific security. **Past performance cannot guarantee future results.**

US YIELDS & BONDS

The yield on the benchmark 10-year Treasury note ended modestly lower for the week, pulled down in part by the news of the pause in the AstraZeneca trials, according to traders. (Bond prices and yields move in opposite directions.) The broad municipal bond market was little changed throughout most of the week. The firm's traders reported stable demand for new issues but also noted that investors in the secondary market took a more cautious approach. Muni bond funds experienced roughly USD 1 billion in net cash flows for the week ended September 9, according to Lipper data, marking the 18th straight week of positive flows.

The investment-grade corporate bond's primary calendar was very active, and the volume of issuance exceeded expectations. Most new deals were well received, partly due to robust demand from investors in Asia. Strained U.S.-China relations and some negative Brexit headlines at times contributed to risk-off sentiment, however.

The primary calendar garnered most of the attention in the high yield market and drove much of the selling activity as investors sought to fund purchases of new deals. Equity weakness weighed on the performance of the asset class, and high yield funds reported negative flows. In credit-specific news, J. Crew Group—one of the first major clothing retailers to file for Chapter 11 bankruptcy protection due to the impact of the pandemic—emerged from bankruptcy after completing its restructuring plan.

US TREASURY MARKETS AND WEEKLY YIELD CHANGE – As of close Friday, September 11, 2020

3 Mth: +0.01 bps to 0.11%

2-yr: -0.01 bps to 0.13%

5-yr: -0.03 bps to 0.25%

10-yr: -0.05 bps to 0.67%

30-yr: -0.06 bps to 1.41%

Source: Bloomberg. Yields are for illustrative purposes only and does not represent the performance of any specific security. Yield changes are of one week. **Past performance cannot guarantee future results.**

INTERESTING NEWS OVERSEAS

Stocks in Europe rose on the continuing economic recovery, shaking off disappointment that the European Central Bank (ECB) did not announce additional stimulus, as well as renewed fears of a hard Brexit. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 1.67% higher. Germany's Xetra DAX Index rose 2.80%, France's CAC 40 added 1.39%, and Italy's FTSE MIB advanced 2.21%. The UK's FTSE 100 Index gained 4.02%, which benefited from weakness in the British pound. UK stocks tend to gain when the pound falls because many companies in the index are multinationals that generate meaningful overseas revenues.

The resurgence in coronavirus infections continued across Europe. French Health Minister Olivier Veran said the situation in France is "worrisome," and hospitalizations and intensive care admissions are poised to rise. Infections are also increasing in Germany and the UK after a summer of lax containment. UK Prime Minister Boris Johnson said Britain could limit social gatherings to six people. The UK also instituted new quarantine measures on travelers coming from Portugal and Hungary.

Tensions flared as the UK and European Union (EU) began a new round of talks to flesh out their post-Brexit relationship. The UK published a draft law to create an internal market after December 31, but some elements overwrote sections of the withdrawal accord that the two sides agreed to last year. The UK government conceded that some clauses would breach international law, prompting the European Commission to threaten legal action and to advise member states to prepare for a no-deal Brexit.

The UK economy grew for a third consecutive month in July but at a slower rate, as the government eased coronavirus-related restrictions on the hospitality industry. Output grew 6.6% on the month, down from 8.7% in June. The economy is still 11.7% smaller than in February. The government told Parliament last week that the economic outlook could come under pressure as the jobs support program ends. Finance Minister Rishi Sunak acknowledged that tax increases would be needed to pay for the extra spending stemming from the pandemic.

On the other side of the planet, Chinese A-shares shed roughly 3.0%, taking their cue from the US sell-off. In addition to the US tech stock downturn, news that the Trump administration was considering adding Semiconductor Manufacturing International Corporation (SMIC), China's top chip foundry, to a list of U.S.-sanctioned companies dealt a blow to investor sentiment. Shares of many Chinese technology companies fell on the news, reflecting SMIC's importance as a critical semiconductor supplier to the domestic market and the company's close ties to Beijing and the defense industry.

The yield on China's 10-year sovereign bond was unchanged. The tone of China's fixed income market remained firm: Term spreads have narrowed since June, as have the spreads between bonds with the same maturity but different credit ratings. Most analysts expect domestic liquidity conditions could improve in September, providing a positive backdrop to the bond market. The yuan rose 1.7% against the US dollar.

Source: **Hedgeye.com**

THE WEEK AHEAD

In the US, the Federal Reserve is seen holding the target range for the federal funds rate steady at 0-0.25 percent at the end of their two-day meeting on Wednesday while keeping its dovish tone. Still, investors could follow Chair Jerome Powell's press conference for further details about the possibility of additional stimulus, any hints on how to implement the new average inflation target, and clarification about the purchases of Treasury and mortgage-backed securities. The Fed will also release new economic and interest rate projections, including forecasts for 2023, for the first time. On the economic data front, retail sales and industrial production numbers for August are seen pointing to a slowdown in activity amid a resurgence in COVID-19 cases. In addition, the preliminary reading of Michigan consumer sentiment for September will likely show a slight improvement in morale. Other important publications are building permits and housing starts, foreign trade prices, NY Empire State Manufacturing Index, Philadelphia Fed Manufacturing Index, NAHB Housing Market Index, business inventories, second-quarter current account, and overall net capital flows.

Call us at LCP if you have any questions. Have a great week.

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