It is extremely discouraging to watch the bitter conflict in Washington over a new stimulus package. While incomes are lost, businesses go bankrupt and people are being evicted from their homes, Democrats and Republicans in Congress remain inflexible and uncompromising. The two parties are more interested in winning the debate or putting the blame on the other side of the aisle than passing a bill that would help so many citizens. Some of the issues are of course meaningful but many are just plain trivial and seem more like attempts to hinder the process. For instance, part of the package would provide funding for testing and tracing which both parties agree is needed but Treasury Secretary Mnuchin doesn't like "the language around testing". It is being called, appropriately, a case of putting "party ahead of country". It is not only the fact an agreement can't seem to be reached but also the rancor and animosity involved. The acrimony is even more evident in the hearings to confirm Amy Coney Barrett as a Supreme Court Justice. If the election results in another four years of a Democrat House of Representatives and a Republican Senate the hostility and the consequent lack of progress is unfortunately likely to continue.

If no deal is made to provide fiscal stimulus it will again fall to Chairman Powell and the Fed to pick up the slack at least through the election or when a new Congress is seated. Already we have seen some stealth easing as the Fed balance sheet has increased recently, but the efficacy of monetary stimulus has abated, and a fiscal package is still very necessary.

A major criticism of monetary policy since the financial crisis is that while it was crucial in saving the economy at that time the ensuing rate decreases and liquidity injections served to increase asset prices but did little to promote spending on infrastructure and productive investment. As a result, as the old saying goes, the rich got richer and the poor got poorer, perhaps not in an absolute sense but certainly in a relative sense as the stimulus didn't reach most of the working classes and the income and wealth inequality grew greatly. As a consequence, the country has become a dichotomy of what the Fed is calling the asset rich and the asset poor. The pandemic has only exacerbated the disparity given the less fortunate have been most affected by the lockdowns and layoffs. The Fed is preparing new policies that will hopefully be successful in providing a method to more directly focus stimulus to the "asset poor". In 1977 Congress passed into law the Community Reinvestment Act (CRA) that forced lending institutions to make credit available in neighborhoods where they were accumulating deposits. Previous to that law there was a practice called "red lining" where banks would outline on a map areas where incomes were low and as a result credit would be made scarce or unavailable. The Fed is proposing to use its mandate under the CRA to provide liquidity to financial institutions that guarantee to offer loans to those more in need. How long that policy will take to materialize and if it will be a success is open to question but at least in this time of negativity and uncertainty it is heartening to see efforts being made to make opportunities available to more people.

The S&P 500 did find support around the level of the June highs and has now rallied to within 100 points of the all-time highs. The September decline did neutralize much of the overbought condition we saw in August, but valuation remains a concern. Now we are faced with a myriad of risks or opportunities, depending on your outlook and interpretation; the election, the virus and a vaccine, the stimulus package and the economic recovery. The market is reacting quickly to any new bit of information which makes for increased volatility and unpredictability. If we step back and ignore the noise it may make sense to try to envision where we will be 6 or so months from now. It is not difficult to suggest, although admittedly perhaps too optimistic, a much-improved outlook with a vaccine discovery, a less divisive government in Washington with the election behind us and a strong stimulus package that includes infrastructure spending to support economic growth. Goldman Sachs estimates just the discovery of a vaccine would add 2% to the US GDP growth rate by the end of 2021.

Joe Biden continues to have a commanding lead in the polls, and I believe will win the popular vote but given the vagaries of the Electoral College a small popular vote victory by Republicans in certain swing states could throw the election to Trump. I also wouldn't be surprised that Trump has some last-minute revelation to spring on us.

Since the pandemic and election are so unpredictable and I admit to being puzzled as to what comes next, I'm using this space to cover a bunch of things that I ponder about.

- *Fintech (Financial Technology) is growing rapidly. It was anyway but lockdowns and other restrictions that are keeping people at home have definitely accelerated the pace. If you enjoy going to a bank and talking to a real person or are afraid of internet banking and investing, get over it. Change is coming.*
- *The website Zero Hedge points out that about a quarter of personal income since the pandemic struck has come from government transfer payments (unemployment benefits, welfare checks, emergency subsidies). A new stimulus package would seem to be a necessity or incomes will drop precipitously.*
- *It's only two years ago that the US 10 year Treasury Bond was yielding 3.25%, which caused large scale selling in the stock market. We are now at 0.75% and it wouldn't take much of an increase in rates to promote renewed selling of stocks. I continue to believe real problems in financial markets will come from the credit and fixed income areas.*
- *The Chinese economy has seemingly (if you believe the numbers) recovered to pre-coronavirus levels. Will North America follow suit?*
- *I have no idea when, but the big cap tech stocks will face increased regulation and may in fact be broken up. Companies like Google and Facebook could experience the same fate as Standard Oil and Bell Telephone. Those are old stories but still relevant to the discussion.*

At pivotal moments such as we face today it is worth taking time to evaluate where one stands on the risk spectrum. Are you more worried about a fear of missing out or a fear of losing money?

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