

# NEWSLETTER

*The Quarterly Newsletter of Peninsula Wealth LLC*



## IN THIS ISSUE

### Important Dates

**November 3rd, 2020**

Don't forget to vote!

**November 15th, 2020**

Last day to notify PW to cancel any standing RMD instructions

**December 11th, 2020**

Last day to initiate stock gifts to guarantee processing by 2020 year-end

### Q3 Market Update

### Tracking COVID-19

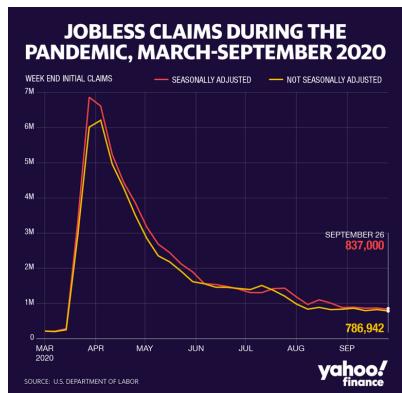
### Elections and the Stock Market

### Message from Rahul

### Note from Kristina

## Q3 Market Update

Third quarter of 2020 seems to surprise us with new jabs. We have seen devastating wildfires throughout California, Oregon, and Washington. We lost Supreme Court Justice Ruth Bader Ginsburg on September 18. Yet, amidst all the chaos, the indices (NASDAQ, S&P 500, DJIA) still rallied and rebounded both in July and August. Banks also posted a rather surprising results mid-July for Q2 earnings. The big technology companies reached all-time highs at the beginning of September. However, at the end of September – all three indices fell for its first negative month since March: Dow fell 2.28%, S&P 500 fell 3.92%, and Nasdaq fell 5.16%. The sell-off began shortly after news of unemployment revealed an increasing number of filings as the fiscal stimulus measures expired. The Federal Reserve indicated that interest rates are likely to remain close to zero through 2023. Vaccine trials are still ongoing, but nothing has been produced to cure or prevent the coronavirus yet. Additionally, both the House and the Senate have failed to agree on a new stimulus relief package. The House pushed for a \$2.2T stimulus package and the White House countered with a \$1.8T offer. We still do not know if this will come to pass before or after the election. One thing is for sure: additional relief is needed to boost the economy and stimulate the market.



What may have also contributed to the market volatility in early September could be the upcoming 2020 US General Elections. The polls are leaning towards a Biden presidential win which could mean a move towards a progressive platform that focuses on investments in alternative/green energy, increased regulation for fossil fuels, higher taxes for corporations and high-income earners, and expansion of the Affordable Care Act (ACA). It is important to know that regardless of who wins the elections, the fiscal stimulus needed and monetary policy from Federal Reserve to support the economy post-COVID-19 will likely continue.

Overall, for third quarter of this year, Dow gained 7.63%. Nasdaq Composite gained 11.02%. The S&P gained 8.47%.<sup>[1]</sup>

[1] <https://www.cnbc.com/2020/09/30/stock-market-live-updates-blog.html>

## YTD Market Returns

Data shown as of September 30, 2020

INDEX	Q3 2020 PERFORMANCE	YTD PERFORMANCE
S&P 500	<b>6.82%</b>	<b>3.53%</b>
NASDAQ	<b>8.61%</b>	<b>26.30%</b>
RUSSELL 2000	<b>2.61%</b>	<b>-10.71%</b>
DJIA	<b>5.85%</b>	<b>-3.07%</b>
MSCI EAFE	<b>3.27%</b>	<b>-8.15%</b>
MSCI EMERGING MARKET	<b>7.33%</b>	<b>-3.04%</b>
DOW JONES US REAL ESTATE	<b>0.49%</b>	<b>-13.45%</b>
FED FUNDS RATE	<b>0.25%</b>	<b>0.25%</b>

<sup>1</sup> <https://www.cnbc.com/2020/09/30/stock-market-live-updates-blog.html>

## Tracking COVID-19

The race to finding a vaccine or a cure is still on. AstraZeneca coronavirus vaccine is under federal investigation after one of the participants in UK reported a serious adverse reaction which has not been shared publicly; thus, the late-stage trials in the US remains on hold.<sup>[1]</sup> On the other hand, The Janssen Pharmaceutical Companies of Johnson & Johnson began enrolling adult volunteers for its fourth Phase 3 clinical trial of the investigational vaccine (also known as Ad26.COV2.S). This trial is to evaluate if this investigational vaccine can prevent symptomatic COVID-19 after a single dose.<sup>[2]</sup>

In the last seven days, the Centers for Disease Control and Prevention (CDC) reports 7,740,934 coronavirus cases and 214,108 deaths in the US alone. Texas is leading with 26,584 cases in the number of new cases, followed by California with 22,850 new cases.<sup>[3]</sup>



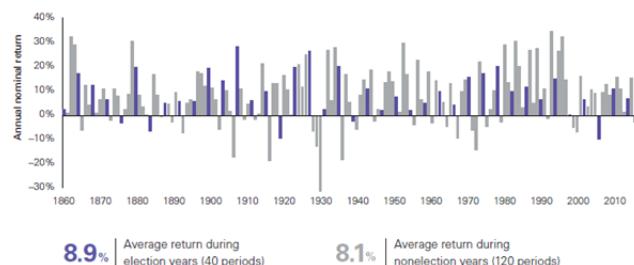
California has launched a platform to help the state in slowing the spread of the virus and in helping cities slowly reopen. The website (<https://covid19.ca.gov/>) has resources for every individual and family to access. It has an up-to-date information regarding COVID testing, school reopening plans, childcare, etc.

We are still far from normal, but every action counts to slow the spread and speed up the country's recovery. We are in this together.

# Elections and the Stock Market

The 2020 US General Election is less than a month away. Each election has its own challenges, but the pandemic presents some unique issues due to social distancing concerns and mail-in balloting. It seems that the equity markets are expecting a Biden presidential victory with a split Congress: Republican keeping the Senate and Democrats keeping the House. However, there are potential outcomes of a Trump victory with Democrats sweeping the Congress or a split congress too.

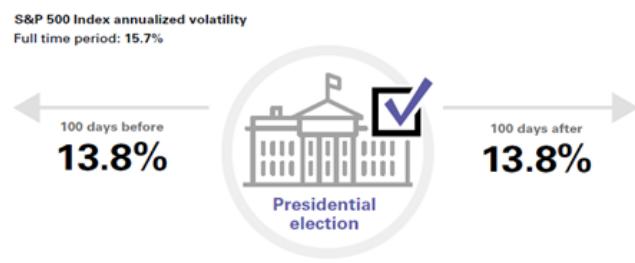
Should the upcoming 2020 US general elections affect your investment strategy? No. This is not to minimize the importance of elections. It is important for our society, our policies, and our democracy. It matters, but not so much to affect or influence your investments. If you look at the charts below, it is difficult to find systematic return patterns in election years. On average, market returns are positive.



**Source:** Vanguard calculations based on data from Global Financial Data as of December 31, 2019. The 60% GFD US-100 Index and 40% GFD US Bond Index, as calculated by historical data provider Global Financial Data. The GFD US-100 Index includes the top 25 companies from 1925 to 1950, the top 50 companies from 1890 to 1900, and the top 100 companies by capitalization from 1900 to the present. In January of each year, the largest companies in the United States are ranked by capitalization, and the largest companies are chosen to be part of the index for that year. The next year, a new list is created and it is chain-linked to the previous year's index. The index is capitalization-weighted, and both price and return indices are calculated. The GFD US Bond Index is a bond portfolio consisting of 10-year constant maturity bonds from 1786 until 1941 and the Federal Reserve's 10-year constant maturity yield beginning in 1941. Each month, changes in the price of the underlying bond are calculated to determine any capital gain or loss. The index assumes a ladderized portfolio that pays interest on a monthly basis.

**Note:** Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Although we expect elevated volatility closer to the elections, we believe it will be in-line with past cycles.. According to Vanguard, from January 1, 1964 to December 31, 2019, S&P 500 Index's volatility was 13.8% in the 100 days before and after a presidential election.



**Source:** Vanguard calculations of S&P 500 Index daily return volatility from January 1, 1964, through December 31, 2019, based on data from Thomson Reuters.  
**Note:** Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Elections are one of those events that generate headlines like “*What it means if so-and-so wins to your investments?*” While it is great and understandable to be concerned, these types of headlines should not sway you or influence you to change the financial plan that you and your advisor have created. As history and data suggest, elections do not affect your investments over the long-term.

As Rahul mentioned, it is important to stick to your financial plan following your risk tolerance and to not let emotions drive your decisions and your plan.

# Message from Rahul

In Q4 advisors are often contacting clients to remind them to take the required minimum distribution (RMD) from their retirement accounts. However, this year is different. Due to the Coronavirus Aid, Relief, and Economic Security Act (also known as the CARES Act), you can bypass any RMD that must be taken from your IRAs and/or workplace retirement plans for 2020. If you are a beneficiary and have an inherited IRA, you are also allowed to delay or skip this year's required minimum distribution.



Many of you have standing instructions on file to automatically withdraw your RMD in the upcoming months. If you would like to cancel this year's distribution or discuss this with your advisor please let us know before November 15th. We would be happy to help.

## Note from Kristina

Are you planning on donating to your favorite charities before the end of the year? If so, consider gifting stock instead of cash. Donating stock directly to charity is one of the smartest/tax efficient ways to give. 80 percent of donors own appreciated assets, such as stocks, mutual funds or bonds, but only 21 percent of those donors have contributed these types of assets to charity.<sup>[1]</sup>



By donating stock that has appreciated for more than a year, you are essentially gifting 20 percent more than if you sold the stock and then made a cash donation. When you donate the stock directly to a charity, there are no capital gains taxes to pay. Plus, you are still eligible to deduct the full fair-market value of the asset you donated from your income taxes.

Donating highly appreciated stocks can also reduce your future capital gains tax exposure. You can gift your shares and then buy new shares to reset your cost basis at the current, higher price. Many investors have stocks that they love and want to hold for the long term. This allows you to benefit from the appreciation of the stock's value while reducing substantial gains when you sell.

If you are interested in making a donation this year, please contact us by December 11th.

<sup>1</sup> data from 2016 study by Fidelity Charitable