



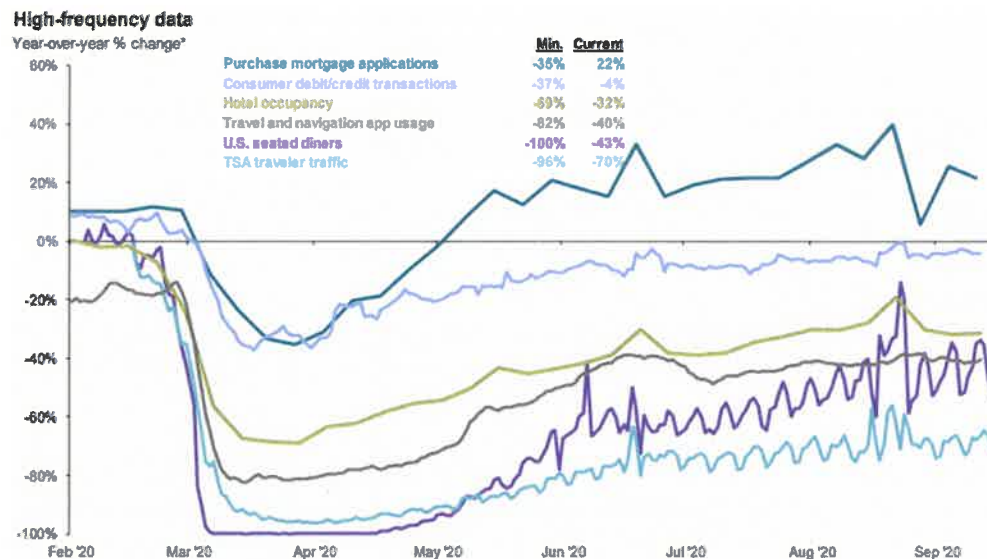
The Longer View

Comments & Outlooks from Longer Financial

October 6, 2020

Mixed Recovery Continues in the Third Quarter

Despite a rocky month of September, most of the major stock indices posted gains in the third quarter. The S&P 500 re-claimed positive territory for the year, up 5.57%, while the Dow finished just shy of breakeven at -.91%. However, Small Caps and Value Stocks remained underwater, with the Russell 2000 off -8.61% and the CRSP US Large Cap Value index down -10.71% year-to-date. Interest rates hovered near record lows, with the ten-year Treasury rate closing the quarter at just .69%. The speed of our economic recovery has generally outpaced what many analysts predicted several months ago, driven by strong consumer spending, a robust housing market, and the historic amount of stimulus put forth by the Federal Reserve and Congress. As indicated in the chart below, however, we are far from “back to normal” in many facets of life with declines in TSA traveler traffic, seated diners, and hotel occupancy of -70%, -43%, and -32% year-over-year, respectively.

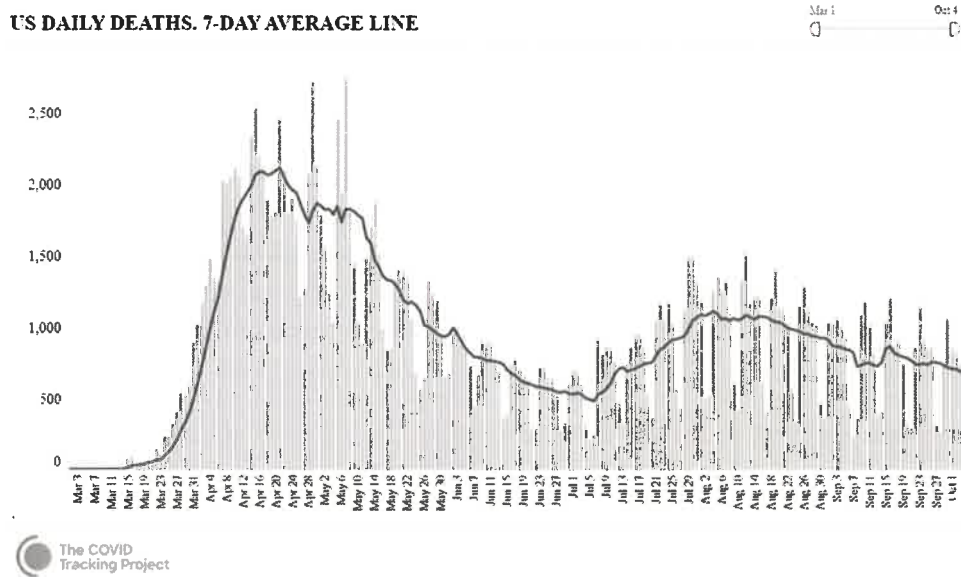


Political Uncertainty, Ongoing Virus Concerns Cloud Future Outlook

Elections always create a sense of uneasiness among investors, as future tax rates, regulation, and spending all come into question with a potential change in leadership at both the presidential and congressional levels. However, describing 2020 as unique would be quite an understatement. Days after a raucous first debate, we learned that President Trump had contracted COVID-19, along with several other key Republican leaders, with less than a month remaining before the election. Even before this stunning turn of events, we faced the prospect of a delayed result or even a contested election due to the expected prevalence of mail-in voting and lack of trust in that process from the President. Meanwhile, Congress continues to stand at a gridlock over further stimulus measures, with millions of unemployed Americans in the balance. Tensions remain high between the two parties with the Supreme Court confirmation proceedings for Amy Coney Barrett also in play. Historically markets have been able to adapt and find their way to new highs regardless of which party is in charge, but the lack of clarity in the coming months could produce more short-term volatility than normal.

While politics will continue to dominate the headlines, the most critical issue from our standpoint remains the ongoing pandemic. As can be seen in the chart below, death rates remain tragically high across the country, as we continue to lose approximately 700 lives per day.

US DAILY DEATHS. 7-DAY AVERAGE LINE



Moving Forward

We are hopeful that one or more of the many vaccines in late-stage trials will soon gain approval from the FDA, but officials caution that even if that does occur, widespread vaccination of our population may not be achieved until late spring or early summer next year. Markets seem to be pricing in this scenario, with hopes for a return to stronger earnings growth in 2021 and beyond, but at this stage, it is far from a guaranteed outcome. We will be closely monitoring quarterly earnings reports and forward guidance from the most directly impacted companies and industries for a better glimpse at how they plan to continue managing through this crisis. We have maintained a relatively defensive position in our portfolios entering the final quarter of the year, given the many unique variables in play. Though historically low interest rates and record-level spending are generally supportive for stocks, we believe that a disciplined process and commitment to diversification remain critically important for long-term portfolio results.

Thank you for the continued trust that you place in us as your investment manager. As always, please don't hesitate to reach out with any questions that you may have, or to schedule your next review.



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