

October 2020 Market Update

Stocks dropped in October for the second month in a row. U.S. stocks and international stocks both lost about 2.25% for the month. U.S. stocks are up 1.8% on the year while international stocks are down 7.3%.

Bonds lost 0.4% in October. Treasury yields increased up to 20 basis points in long maturities. Real estate slightly lagged the overall stock market.

Recent market weakness was partially driven by rising COVID-19 cases in both the U.S. and Europe and by the inability of Republicans and Democrats to negotiate an agreement on stimulus spending.

The rapid market recovery from this year's recession is largely a result of the extraordinary fiscal response executed by our Federal government. While this puts the market in a great position today for those fully invested this year, it lowers the outlook for future stock market returns. Table 1 below shows U.S. stocks achieved an annualized return of 11.3% over the last 5 years. Investors should not expect double-digit returns to continue.

Table 1: Benchmark Index Performance as of October 31, 2020

Benchmark Index	1 Mo	3 Mo	YTD	5 Yr Ann
U.S. Stocks	-2.3%	0.5%	1.8%	11.3%
International Stocks	-2.2%	-0.1%	-7.3%	4.4%
U.S. Bonds	-0.4%	-1.3%	6.3%	4.1%
U.S. Real Estate	-2.6%	-5.0%	-19.2%	2.1%

Table 2: Vanguard Global Asset Allocation Benchmarks as of Oct 31, 2020

Vanguard Fund or ETF: % Stock/% Bond	1 Mo	3 Mo	YTD	1 Year
LifeStrategy Growth Fund: 80/20	-1.8%	0.3%	0.8%	7.9%
LifeStrategy Moderate Growth Fund: 60/40	-1.4%	0.0%	2.3%	7.1%
LifeStrategy Conservative Growth Fund: 40/60	-1.1%	-0.3%	3.6%	6.2%
LifeStrategy Income Fund: 20/80	-0.7%	-0.6%	4.6%	5.2%

Chart 1: 2020 Year-to-Date Market Index Performance

