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KISTLER  TIFFANY
ADVISORS

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Monthly Market Review

Provided by Kistler-Tiffany Advisors
From XXXXXXXX XXXXXXXXXX
610-722-33xx xxxxxxxx@ktadv.com
www.ktadv.com

Investors are used to “stocks beating bonds,” but the reverse does happen more often than you think. In the last 4 decades (1980-2019), the total return of taxable bonds (using the Bloomberg Barclays Aggregate bond index as the benchmark) have outperformed the total return of stocks (using the S&P 500 as the benchmark) in 11 of the 40 years, most recently in 2018. With just 2 months to go in calendar year 2020, bonds (up +6.3% YTD) are again besting stocks (up +2.8% YTD) (source: BTN Research).

The size of the US economy increased a record +33.1% in the 3rd quarter 2020, i.e., quarter-over-quarter change expressed as an annualized result. In reality, the US economy as of 9/30/20 is only +7.41% larger than the size of the US economy as of 6/30/20 after removing the impact of inflation. The government elects to take the actual quarterly change, i.e., the +7.41% increase, and report it as if it had already repeated itself for 4 consecutive quarters. That’s how a +7.41% increase turns into a +33.1% gain (source: Department of Commerce).

As of Sunday 11/01/20, a reported 92 million Americans had already voted in the 2020 presidential election. Both major parties are banking on record turnouts. In the last 100 years (1920-2020), the highest turnout recorded for a presidential election was in 1960 when 62.8% of our “voting age population” went to the polls and elected 43-year old John F. Kennedy. The turnout in 2016 was just 54.8% of our “voting age population” (source: The American Presidency Project).

Notable Numbers for the Month:

1. **BAD, BUT NOT THAT BAD** - The 3/27/20 CARES Act included **\$139 billion** of relief for the 50 US states. From 2/29/20 to 8/31/20, the **tax revenue** collected by all US states is **down \$30 billion** over the same 6-month period from a year earlier. When the CARES Act was being debated in Congress, **US governors** requested financial support of **\$500 billion** from lawmakers (source: National Governors Association).

2. **PURE MICHIGAN** - The **\$18 billion of municipal bonds** that the city of Detroit **defaulted on in 2013** is the **largest municipal bond default** in US history (source: Federal Reserve Bank of St. Louis).
 3. **THE ONLY GAME THEY PLAY** - The **breakeven price of oil** for Saudi Arabia in 2020 is **\$78 a barrel**. 80% of the **total government revenues** in Saudi Arabia come from the **sale of oil**. The price of oil closed at **\$35.79 a barrel** (West Texas Intermediate) on Friday 10/30/20 (source: Statista).
 4. **BUCKEYES KNOW** - The state of Ohio has **correctly backed** the winner of the **US presidential election** in each of the **last 14 races** for the **White House**, i.e., 1964-2016 (source: USConstitution.net).
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Past Performance isn't indicative of future performance. An index is unmanaged, and you cannot invest directly in an index.

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The above communication is written by Michael A. Higley. Mr. Higley is not an employee of Kistler-Tiffany Advisors and any comments, opinions or facts listed are those of Mr. Higley.

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Kistler-Tiffany Advisors
200 Berwyn Park, 920 Cassatt Road, Suite 205
Berwyn, PA 19312-1178
610-722-3300 www.ktadv.com