



## NEWS OF THE MONTH

### Sound Income Strategies Newsletter, November 2020

October 2020

<u>Index</u>	<u>Month</u>	<u>Year to Date</u>
Dow Jones	-4.51%	-5.38%
S&P 500	-2.66%	2.76%
NASDAQ	-2.26%	22.25%

10-Yr Treasury yield was 0.68% at the end of September and 0.87% at the end of October

#### Markets

The stock market was in full rollercoaster mode in October ahead of the election. All the major indexes rose steadily until mid-month, lost steam, then fell sharply in the final week. The ride continued into November with the markets gaining again during election week despite the uncertainty of no winner being declared in the presidential race until this past Saturday. In truth, the issue driving the markets more strongly than the election was the Covid-19 pandemic. Cases spiked again throughout the country last month as many health analysts warned the trend will worsen all fall and winter.\*

No matter who ends up in the Oval Office, the main questions investors are likely to focus on in the coming week are: How soon might another coronavirus relief package get approved? How much good will it do? Can it soften the potential economic impact of more shutdowns and layoffs? Or could things get bad enough to spur the kind of panic we saw in March, when all the major indexes dropped by nearly 40%? With all of this in mind, I believe there is one important question that investors in or nearing retirement need to ask themselves in the midst of this uncertainty: "Is my allocation still where I want it to be based on my risk tolerance?"

Now is a perfect time to reassess your risk tolerance with your advisor because you can use what's been happening in the markets as an emotional gauge. Think back to when that major drop occurred in March. If you were greatly disturbed by it and found yourself worrying, it may mean your risk tolerance level is lower than you thought, and you might want to discuss the possibility of lowering your investment risk further. On the other hand, you may have taken the March correction in stride, secure in the knowledge that the drop in value on your bonds and bond-like instruments was only a paper loss and your income was unaffected. In that case, your risk tolerance may be higher than you

thought, and you may now want to discuss revising your portfolio to be in a position to buy back into the market when the next big pullback *does* occur.

With all of this in mind, my office has launched a campaign to reach out to all clients who have TD Ameritrade accounts and review your portfolio with a focus on risk tolerance. If that's you, expect an invitation from my office to schedule a meeting soon if you haven't received one already!

### **Portfolio Transactions:**

When managing your portfolio at SIS, we look for one of four possible "enhancement" trades while reviewing securities and possible transactions. Income generation is our primary goal for our clients, and we consider the following four portfolio enhancements before transacting: current yield, yield to worst (minimum projected annualized total return), interest rate risk, and default risk. The intents of these transactions are categorized as follows:

- ✓ **Pay Me Now** – Enhancing current yield
- ✓ **Pay Me Later** – Enhancing yield to worst
- ✓ **Cover My Assets I.** – Managing interest rate risk
- ✓ **Cover My Assets II.** – Managing default risk

We evaluate the transactions by determining whether they meet one, two, three, or all four enhancements. A baseball analogy for this: SINGLES, DOUBLES, TRIPLES, and HOME RUNS.

There were no swaps for the month of October.

*\*\*It's About to Get Even Worse,\*\*Axios, Oct. 12, 2020*

*Note: The above trades were recent block trades and do not reflect all trades done on an individual specific basis. Sound Income Strategies, LLC is a registered investment advisor. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Past performance is not an indication of future results. Be sure to first consult with a qualified financial advisor or tax professional about your specific financial situation before implementing any strategy discussed herein.*

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