Archer Investment Corporation
BALANCED INVESTMENT MANAGEMENT

11711 N. College Ave. #200
Carmel, IN 46032
www.thearcherfunds.com

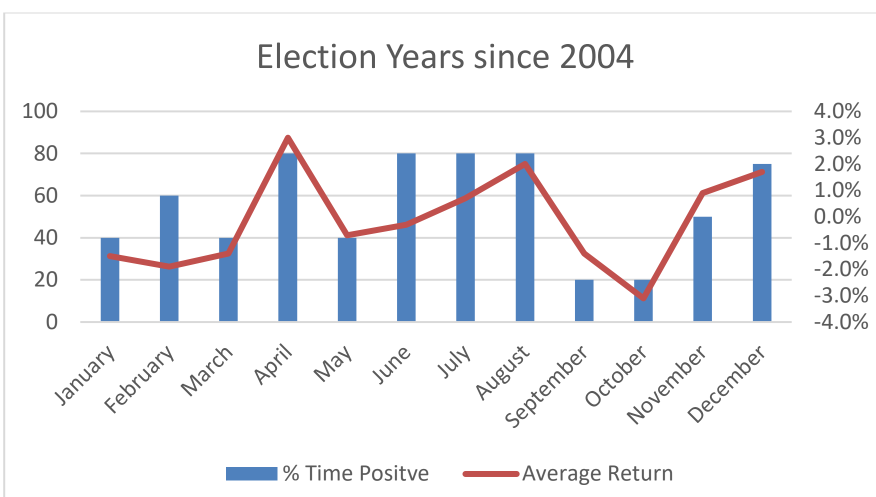
Archer 2020 4th Quarter Outlook:

The Election is upon us, and we usually get the politician we deserve. We have gone from Eisenhower and Kennedy to Trump and Biden. We are not judging, but will let each of you do that on election day.

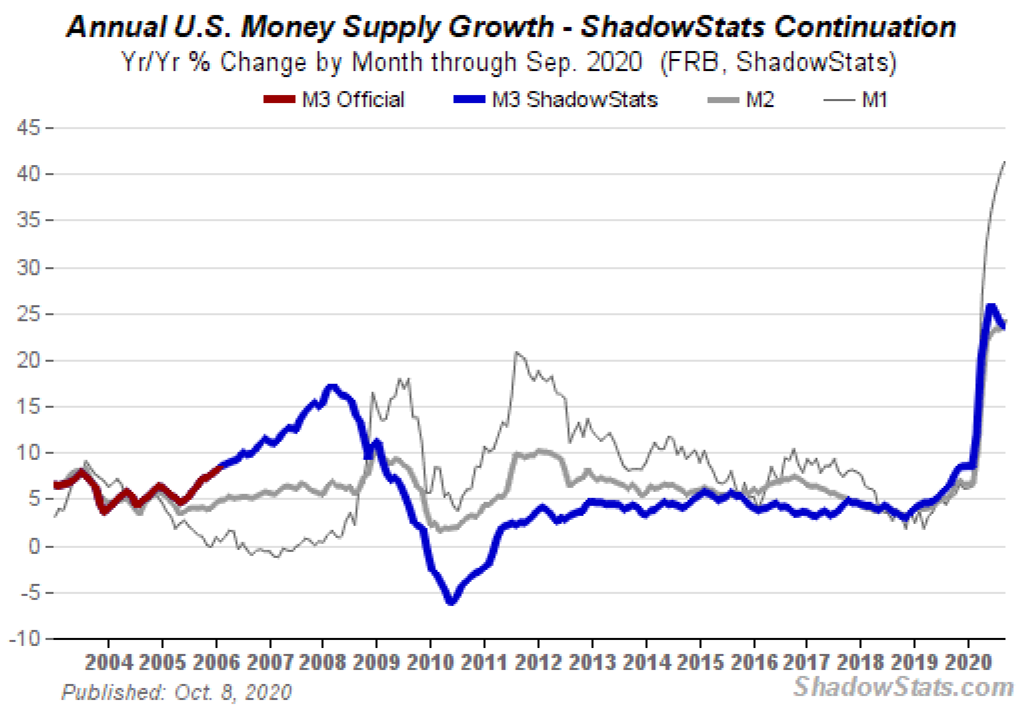
"I offer my opponents a bargain: if they will stop telling lies about us, I will stop telling the truth about them." - Adlai Stevenson

The election cycle as we have discussed in past newsletters gives us some great insight as to how the market behaves over the four years of a Presidential cycle. With emotion running high in this election, we need to take a quick look at what may happen regardless of who wins in November.

The following chart shows each Presidential election year starting in 2004. We can see September and October are normally negative at -1.4% and -3.1% respectively. This is usually what keeps investors worried and wanting to take money out of the market. It is the uncertainty of not knowing the outcome or not knowing what a new President will legislate once elected. We all fall into the same trap if our person is not leading the polls or looks like they will lose. Let us give you some insight into the political world that you already know, but we all need to be reminded from time to time.

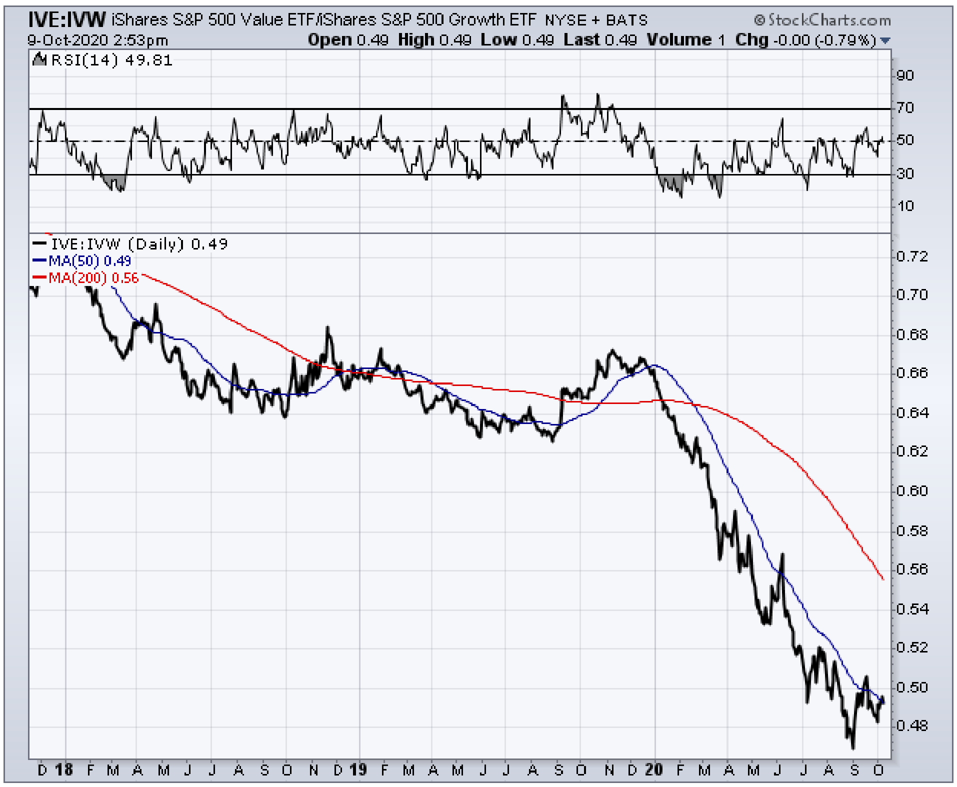


Regardless of who wins the election, all politicians pander to their base during the election cycle, but ultimately want to be reelected once their term is up. To do this, they say anything and everything and usually do very little to rock the boat except to push money supply into the hands of citizens to prop up the economy. Let's look at the last 30 years of elections. There has not been one President including the sitting President who did not push US dollars into the economy during good times or bad times to help the economy. You might be thinking this will come to roost at some point, correct? Not exactly. If we were the only economy in the world who did not manipulate our economy, currency, trade, etc. then you would be correct. However, it has been a race to the bottom which bodes well for the United States because we are still one of the three strongest economies in the world and this will continue regardless of who wins in November. Money supply is very rarely negative as you can see in the chart below.



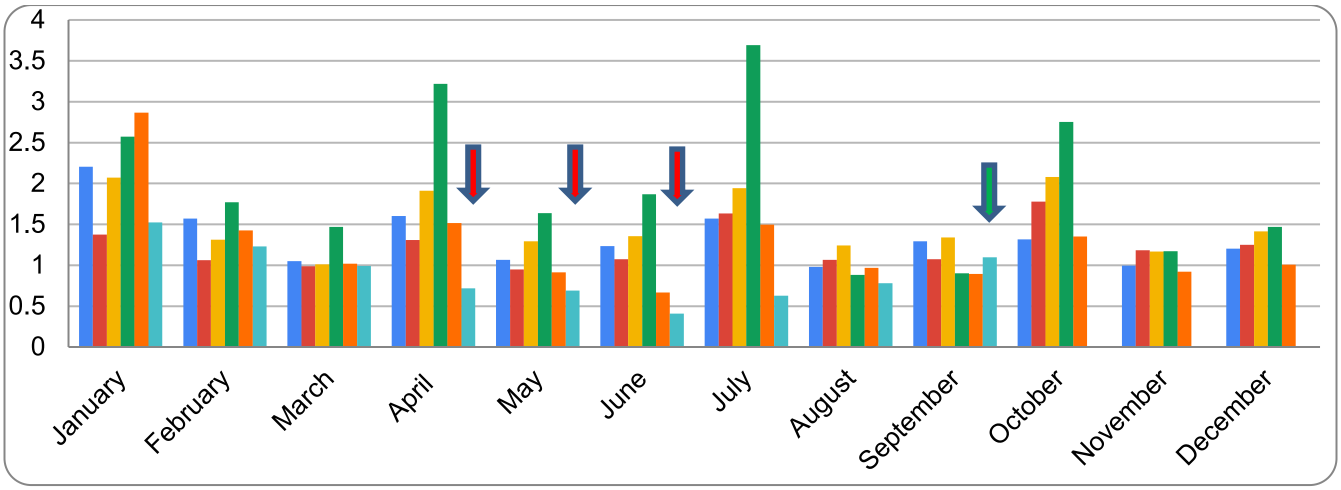
I want to discuss the economy and what is at stake over the next 12-18 months. Many are worried with COVID19 being the prevalent discussion topic among friends and family and what it is doing to the economy. It is true, it has had an irreparable impact to the economy and those monies will not be made up and have hurt companies for the most part. However, it has also helped many companies become more efficient and innovative. Look at technology and healthcare. Two very prevalent sectors in our economy that have transformed themselves for the better into the future. Both of these sectors will continue to do well. If we shift to retail and transportation, the story is a bit different. Both of these sectors have been hurt and will take many years to rebound. Retail sales were actually up last week overall, however, the smaller, more entrepreneurial companies may not make it. They will come back, but with new ownership or after bankruptcy. I think we can say the same for airlines, hotels, cruise operators and restaurants. Each of these businesses will have to find a way to make a profit in a new environment, unless a vaccine is approved, and to be effective.

So, you may be saying, should I stay in the market or pull out of the market? The answer is: your money should be managed given the environment you are facing. This plays well into the hand we have discussed here for the last couple of years. Value Investing. We believe, a turn of events with a new President (as the odds makers are predicting) will bring back value investing as investors will look for more stable profits from the world-class, blue-chip franchises that nearly every investor has ignored for some time as everyone believed the FANG stocks (Facebook, Amazon/Apple, Netflix, and Google) were the holy grail to investing forever.



Let's go back to the very first graph we posted in this newsletter. Remember, the fourth year is often one of the toughest in the market over the four years of a Presidential election. This too shall pass, and as you can see in the first graph, November and December usually start the rebound and it continues to move into the following year.

Now, let's move our attention to profits. As we have said numerous times prior, profits are what drive the market higher or lower. It is important to make sure profits will continue and come back after the nose-dive we all experienced starting in March of 2020. Each bar represents the latest earnings this year and whether earnings were higher or lower than the previous year. In September for the first time this year we saw the first positive sign year over year. This is good for the economy and a direct result of government payments to individuals and keeping businesses open with a herd of cash payments. We firmly believe more is to come and this is positive for the stock market. We are not by any means diminishing the issues with the economy as we have included our thoughts in the last two issues, the tenants of the world recovery remain the same. However, we are confident we will get there. Remember, if the government is sending checks by helicopter or any other means, you will want to stay in the stock market. And remember, they ALL want to be reelected.



Looking Ahead (posted last 2 quarters, but still relevant):

We are looking for the three positive signs for our stock market to continue moving higher (and stay there):

1. *A defined outcome to the coronavirus – This means we need to see a vaccination or treatment to reduce the devastating effects of the most serious cases.*
2. *We need to see employment resume for those who were laid off during this outbreak. This will spur the economy as we have a more reliable source for GDP growth and consumer spending. (Government checks are sporadic and may not come through when needed most.)*
3. *We need to see companies open back up and consumers who are free to move about the country without limitation. Limitations on spending will continue and companies will be reluctant to spend for capital projects if they think another round of government limitations will be set.*

We know the spirit of America is much intact and everyone is focused on a positive outcome for this crisis. There are essentially four to five defining moments in the country during each of our lifetimes and some of us have now seen them all. World War, pandemic, attack on the USA, and financial crisis to name a few. They each made us smarter, more responsive, and better as a society, but not without some pain in the short-term. We think some of the short-term pain is behind us, but there may be a few ups and downs. You will not want to miss the market moving higher by 5% because you saved 3% going the other way.

Regards,

The Archer Team