Where We Stand

John Stoltzfus, chief investment strategist at Oppenheimer Asset Management, explains his top-down view of markets, the economy and asset allocation.

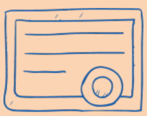
Third Quarter 2020 *Current View*

Economic Growth

We expect a third-quarter economic upturn to gain traction in the fourth quarter fueled by monetary policy, fiscal stimulus and financial aid. Still, growth may falter if there's a resurgence in the virus that stalls reopenings and dampens confidence.

Equities

Monetary and fiscal policy should support stocks but bouts of volatility are likely as growth and virus containment concerns persist. Valuations have recovered as investors take a longer-term view. Our S&P 500 price target remains suspended until visibility improves.

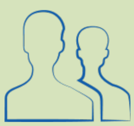


Fixed Income

U.S. bonds should continue to benefit from Fed support. Yields are likely to stay near historical lows, which makes equities and real assets attractive for investors with return objectives.

Inflation

Covid-19 has been broadly disinflationary for the global economy. The challenge for central banks is to offset disinflationary pressures spurred by weaker demand. That weakness is driven by economic displacement and secular trends embedded in globalization and technology.

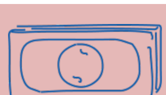


Employment

Social distancing and restrictions on indoor gathering have limited hiring and reopening plans in many sectors and has led to high unemployment that could persist well into 2021.

Oil

OPEC agreement to limit production has led to firmer, more stable prices since mid-April. If the pact holds and demand rises as Covid-19 concerns abate and global growth accelerates, then oil prices could return to pre-outbreak levels.



Currencies

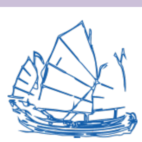
Unprecedented economic stimulus and rescue spending have helped soften the U.S. dollar even as it remains a safe harbor currency amid the Covid-19 crisis.

Monetary Policy

The Fed's massive support for the U.S. economy remains a boon for financial and real assets.

Public Policy

Stimulus and economic rescue spending are likely to increase with a potential for higher infrastructure outlays. Additional income support programs may be necessary as a resurgence in the virus may result in slower economic reopenings.



International Markets

We expect international markets to follow the United States in a global economic recovery in time when the Covid-19 virus's grasp on the world subsides.

Positive Neutral Negative

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Keys to Allocation

1

Core-Satellite Approach
We advocate combining individual securities and actively managed portfolios around a core of other broadly diversified and strategically allocated investments.

2

Broad Market-Cap Exposure
We favor exposure across large-, mid- and small- cap equities when making stock- and sector-specific allocations as global markets remain prone to frequent rotation and rebalancing.

3

Know What You Own
Understanding how different investments interact with each other and how they behave in certain market environments is critical for investors to help achieve their long-term investment goals.

Sector Views

Sector	Rating	Sector	Rating
Technology **Rationale:** Broad-based innovation wave, net cash and low debt. New technologies to boost productivity across sectors.	Outperform	**Consumer Staples** **Rationale:** This defensive sector remains attractive as Covid-19 uncertainty persists.	Perform
Financials **Rationale:** Low deposit rates, high credit-card rates and strong fee policies offset regulatory risk tied to Covid-19 and election rhetoric.	Outperform	**Energy** **Rationale:** OPEC agreement has led to firmer prices; rising demand as global growth improves may boost prices if bad actors don't undermine the pact.	Underperform
Health Care **Rationale:** Covid-19 elevates focus on health care. Longer-term fundamentals remain intact for pharma and biotech.	Perform	**Utilities** **Rationale:** Attractive yields, regulatory support should prop up utilities even as reduced economic activity dents earnings.	Underperform
Consumer Discretionary **Rationale:** Commerce capability in a social-distancing, shelter-in-place world. The virus poses risks and opportunities with clear winners and losers.	Outperform	**Real Estate** **Rationale:** Negative impact of Covid-19 on commercial and residential subsectors present near-term and longer-term risks.	Underperform
Industrials **Rationale:** Infrastructure programs likely in the offing. Tech innovation offers productivity-enhancing upgrades	Outperform	**Materials** **Rationale:** Sector likely to be major beneficiary when Covid-19 risk subsides and global growth reasserts.	Perform
		Communications **Rationale:** Fierce price competition between dominant players and regulatory risk among social media companies dull attractiveness.	Perform