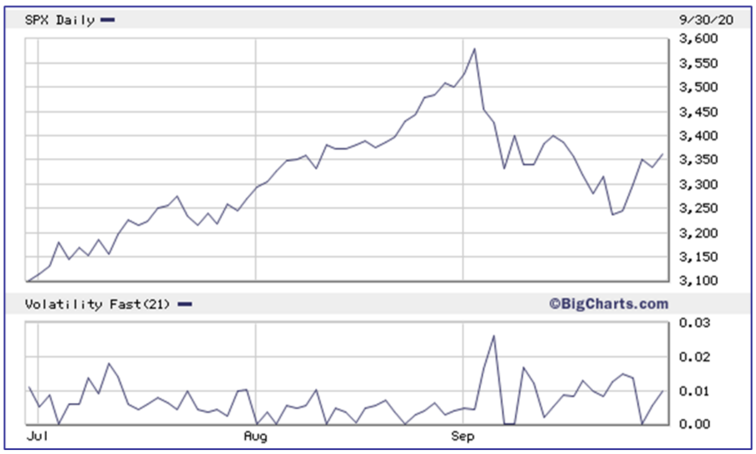
~ Prevailing Winds ~

A Quarterly Market Update *September 30, 2020*

CHARTER RESEARCH and INVESTMENT GROUP

Quarterly Recap:

Although the third quarter was profitable for investors, in many respects, it was a rough summer. Unfortunately, Covid-19 did not go into dormancy, with many hot spots emerging across the country. The unfortunate realization for many was that despite all of the positive ground gained, reaching a true sense of "normalcy" has been elusive. As the summer months faded, the financial markets reflected this reality. During the final weeks of the quarter, investors seemed to price a longer runway toward reaching full recovery.



Quarter Ending September 30, 2020

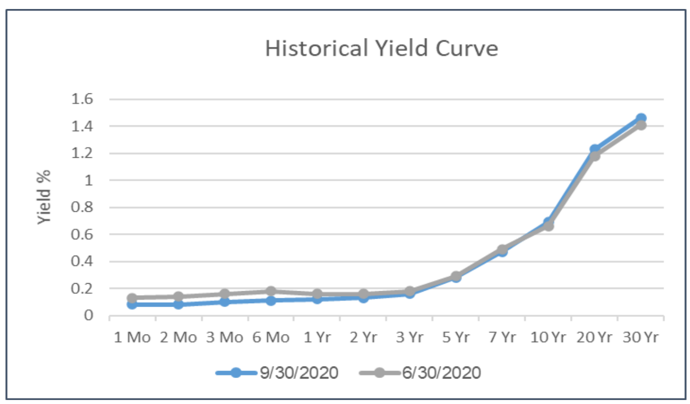
Equity Indexes	Close	% Change
DJIA	27781.70	7.6%
S&P 500	3363.00	8.5%
NASDAQ	11167.51	11.0%
Treasuries	**Close**	**Change**
10-Year Yield	0.69%	0.03
2-Year Yield	0.13%	-0.03

The Stock Market:

At first glance, it appears that the stock investors enjoyed a fabulous summer, with the S&P rising a whopping 8.5%. On deeper review, it is clear that the index returns were largely driven by a handful of names. Individual stocks, on average, rose by 6.2% for the quarter and are actually down -6.3% for the year. Optimists hope that the market will begin to broaden out, with more stocks participating. Pessimists argue that the high-flying stocks will "come back to earth". We believe that both scenarios are possible and it is always best to look for opportunities not evident by focusing on averages.

The Bond Market:

Interest rate levels changed little during the quarter as the most dramatic reaction occurred immediately following the Covid outbreak. During the months of August and September, attention shifted to the Fed's long term plan for interest rates. Importantly, the Fed has abandoned the notion that a 2% inflation rate will be cause for immediate action. Rather, they will likely look at average inflation rates over time. In fact, the Fed does not expect to change their policy until the end 2023! This is a bold prediction in the fast paced world that we live in.



Looking Ahead:

Historically, the month of September has been the weakest of the year. It tends to be a period of transition, with companies making strategic shifts to correct for any missteps and to plan for the upcoming year. This year, we face greater uncertainty in terms of an election, a pandemic, and a frustrated and anxious populus. Uncertainty must be managed in terms of investment risk. Uncertainty for investors cannot be equated with the lack of opportunities. It might just feel more uncomfortable than usual.