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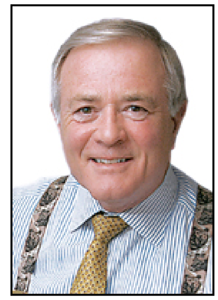

William Rutherford

OP-ED: After strong push, U.S. slouches toward more stimulus

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Although the Federal Reserve is doing as much as it can to stimulate the economy, it has said repeatedly that the executive and legislative branches need to do likewise. There is little downside risk to taking action, the Fed chairman says. But even as the economy remains soft and layoffs continue, Congress and the White House have been dragging their feet in reaching an agreement on another stimulus package. It should be noted that nearly 4 trillion dollars have been spent so far in shoring up the economy from the effects of the virus.

The White House has continued its trade war with China – the second largest economy in the world. The trade war seems to have little positive benefit for the U.S., as our trade imbalance widens but the Chinese economy grows.

The coronavirus, which has been shaping the economy for months, took on the executive branch this past week. The personal health of top military officers and legislators suffered. The result is paralysis for both branches: an attempted coup by the virus to take over the government fewer than 30 days before Election Day.

The ability of the Senate to preside over the hearings for President Trump's Supreme Court nomination has been thrown into doubt. At a time when the nation needs leadership, the virus usurps control.

Equity markets took heart from the notion that the president's virus diagnosis would encourage Congress to pass a stimulus package. Yet after pushing hard for legislative action, the president abruptly stopped discussions, saying they would resume after the elections. The Dow fell 375 points on the day. It is hard to rationalize the change of heart, especially coming so close to Election Day. Nevertheless, the market remains confident that a stimulus package is coming, so the decline resulting from the news was relatively mild. In fact, the following day the president pushed stimulus for the airlines, leaving heads spinning.

Remarkably, consumer confidence remains strong, demonstrating confidence in the Federal Reserve policies. Industrial metals like silver and copper continue to rally, suggesting an uptick in the economy. Gold, an indicator of inflation, has outpaced other asset classes, gaining 30 percent year to date through September. The Federal Reserve remains committed to bond buying for now, which will result in higher prices and lower yields for fixed-income investors.

The Fed has also announced that it will let inflation rise above the historical long-term target of 2 percent. The U.S dollar may fall in this scenario, which could boost the economy, as our exports become cheaper for overseas buyers. Despite a decline in value, the dollar will remain the reserve currency of the world, because there is no other option.

Bond managers will take on additional risk in order to eke out some real return in their funds. As a result, carefully monitor the assets in supposedly "safe" fixed-income portfolios. Value and dividend-paying stocks may benefit and growth stocks may falter. But don't bet against the American economy. Opportunities for growth remain in such out-of-the-way places as businesses supporting work and education from home, recreational vehicles, camping gear, industrials and pipelines. An investor just has to look for investment opportunities.

Continue to remain diversified and invested in growing companies.

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