



# CONWAY • JARVIS LLC

## Investment Outlook

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### Update

#### **A Week for Setting Records**

Last week we got a quick peek at what the much-talked-about market rotation might look like. Following a massive reversal of a broad-based rally in the Cyclical that occurred a week ago Tuesday, the S&P 500 embarked on a slow march upward that culminated in that index posting a new record high this past Monday. That put an end to any further speculation about a failed bear market rally and marked its advance from the March 23 lows as the quickest and most dramatic bull market recovery in history.

Yet, this event was overshadowed by the media's fixation on Apple's stock price eclipsing the \$2 Trillion (yes, that's with a "T") market value, a first for any company, anywhere. In a prior Update we've discussed the distortion of market performance by the "Few", a handful of large-cap companies that have drawn outsized investor interest, while the "Many" languish. AAPL is an example of one of those Few, having more than doubled in five months and showing no signs of slowing down. Of course, the day will come when it does but investors are enjoying the ride for now.

Rarely, if ever, have we seen such good stock market performance within the context of an economy in recession and one so heavily burdened by the uncertainty surrounding the pandemic. We've chalked that up to optimism among professional investors. In the past, we've lamented the influence of institutional investors and their machines in down markets. We now find ourselves a bit concerned by their influence upon this bull market advance that hints of bubble-like valuations for some stocks.

Looking back to previous bull markets, investor sentiment might provide a clue. While professional investors appear to be euphoric, individual investors couldn't be more bearish. Negative sentiment among individuals is at a record high level along with the amount of cash being hoarded on the sidelines. That could be because they live on Main Street in the era of COVID rather than Wall Street. With an election on the horizon, euphoria among professional investors could fade. Given the historically wide divergence in valuation of the Few "haves" and the Many "have-nots", we're on the lookout for any sign pointing to a change in sentiment that could unwind that current imbalance in valuations. We're exercising patience and advise investors to do the same.

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