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tech stocks were also relatively weak, potentially reflecting investor concern about paying large valuations for earnings far out into the future in an environment of higher inflation.

Despite strong growth in the third quarter, the U.S. economy is still well below its pre-COVID trend. We’re producing fewer goods. Yet we’ve added trillions in Fed liquidity and deficit spending. More dollars chasing fewer goods can eventually lead to inflation (which we haven’t seen yet, as Americans have largely used stimulus checks to save and pay down debt). Whichever party controls Washington, we’re likely to see another stimulus bill and we’ll continue watching what the market is telling us about interest rates and inflation.

Market outlook

What are the markets telling us?

By David Royal

It may seem counterintuitive, but I’m not going to dedicate this column to the results of the election. It can take a while for the implications of an election to develop, and they aren’t always what one might have expected. For example, four years ago, the market experienced a powerful rotation into cyclical stocks, but it was a trend that took some time to emerge.

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In my last column, I warned of the potential for a rise in inflation in the intermediate- to long-term. I hesitated even to suggest such a possibility, since it was so far from the Wall Street

consensus. Then, October ended up being the worst month for stocks since March, as COVID cases spiked. Unlike most stock market declines, in which investors flock to the relative safety of U.S. Treasury securities and drive down rates, interest rates increased during October. Large



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