

Last Week's Economic/Market Summary – November 23, 2020

Data

- U.S. equity indices were mixed last week as uncertainty weighed on participants.
 - S&P 500 -0.7%, Dow -0.7%, Russell 2000 +2.31%, Nasdaq -0.22%¹
 - The All-Country World Index finished +0.59%.¹
 - S&P 500 sub-sectors were very mixed on the week.
 - Energy led to the upside once again by a wide margin with a gain of 5.70%.¹
 - Utilities & Healthcare led to the downside with losses of 3.86% & 2.96%.¹
 - The CBOE Volatility Index (VIX) rose slightly to end the week at 23.70.¹
- US Treasury bond yields moved lower across the board last week.
 - US 2yr -0.02% at 0.16%, 10yr -0.07% to 0.82%, 30yr -0.13% to 1.52%.¹
 - Despite last weeks big drop in longer-term bond yields, Inst's remain extremely short.
- Commodities as an aggregate asset class moved higher last week.
 - WTI Crude gained 4.86%.¹
 - Gold fell over 1%.¹
 - The US Dollar index was lower by 0.42%.¹
- In our opinion, U.S. economic data was mixed last week.
 - Unemployment claims came in higher than expected.¹
 - Retail spending missed expectations.¹
 - The housing market stayed red hot, but is showing signs of plateauing.¹
- An index of equities outside the US (FTSE All-World ex-US) was up 1.50% last week.¹

¹ Source: Bloomberg – 11/20/2020

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Conclusion

- US equity markets shot higher early in the week on Covid-19 vaccine news, but rising cases nationwide & state shutdowns tempered investor's appetite later in the week.
 - S&P 500 -0.7%, Dow -0.7%, Russell 2000 +2.31%, Nasdaq -0.22%
 - For the 2nd week in a row, US small-cap stocks outperformed the broader market by a wide margin, as the Russell 2000 Index, a small-cap benchmark, climbed more than 2%.
 - At Friday's close, the index was up +23% from a recent low on September 23
 - We believe this helps show the recent rotation away from the high-flying momentum/growth stocks and into more value-oriented names.
 - This has been called the "reopening trade" by many. The co's that have underperformed in 2020 during the pandemic being expected to receive a large amount of business once a vaccine is out & being distributed.
- S&P 500 sub-sectors were extremely mixed last week with only 5 out of 11 sectors moving higher.
 - Energy once again led last week with a gain of almost 6%.
 - Please note Energy is still down over 40% year-to-date.
 - WTI Crude has jumped over 20% in November on the rapid progress in anti-virus drugs.
 - Utilities & Healthcare were the leaders to the downside last week.
 - In our opinion, the move in Healthcare is an example of "buy the rumor, sell the news" as the sector has done extremely well this year only to retract as soon as vaccines were ready to go live.
- US Treasuries strengthened last week across the board.
 - Big news in the bond market was US Treasury Secretary Steve Mnuchin saying he would not extend most of the emergency lending programs that his agency has been running in tandem with the US Federal Reserve.
 - This news comes as the economy faces new challenges from the latest spike in Covid cases and congress looks far off on getting a new stimulus bill passed.
- While Covid-19 cases in the US are setting daily records across the US, markets seem to be trying to look ahead to reopening in 2021.
 - The market's initial response to vaccine news seemed to show this, however concerns over Treasury/Fed/Gov't support caused buyers to become a bit hesitant.
 - In our opinion, this uncertainty won't go away until the stimulus & vaccine distribution becomes reality and more clear.
 - Once this happens, we believe there could continue to be robust upside to the global equity markets; though some significant volatility wouldn't surprise us.
- Foreign equity markets have continued to outperform since the beginning of November.

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