

Weekly Market Update



General Market News

- With coronavirus cases on the rise, investors moved into Treasuries last week, causing a drop in yields. This drop came after yields had picked up on news of positive vaccine trials. The 10-year Treasury yield opened last Monday at 0.91 percent but closed the week at 0.83 percent, giving up 8 basis points (bps). The 30-year yield opened at 1.65 percent and closed at 1.53 percent, giving up 12 bps. The 2-year yield opened at 0.19 percent and closed at 0.16 percent. The move into Treasuries seemed to be part of a risk-off trade as states are forced to implement more stringent measures to control the spread of the coronavirus.
- The Nasdaq Composite was the only one of the major three indices to post gains for the week. The top-performing sectors were energy, industrials, and financials, as investors continued to look for industries that could potentially benefit from a broader reopening. Chevron, Boeing, Citigroup, Wells Fargo, Nike, Disney, and General Electric were among the top individual performers. Boeing, in particular, benefited from approval it received from the Federal Aviation Administration to fly its 737 MAX again. The energy and financials sectors, as well as names like Disney, were part of the “reopening” trade, as hopes increased for greater energy demand, potentially higher interest rate expectations, and amusement park reopenings. Sectors that were hit hardest were health care, technology, and utilities, as investors moved out of names such as UnitedHealth, Thermo Fisher Scientific, and Johnson & Johnson.
- On Tuesday, the October retail sales report was released. Headline sales disappointed during the month, rising by 0.3 percent against forecasts for 0.5 percent growth following a downwardly revised 1.6 percent increase in sales in September. This slowdown brought the pace of retail sales growth to its lowest level in six months. The weakness in sales was widespread, with clothing and restaurant sales showing notable declines. Core retail sales, which strip out the impact of volatile auto and gas sales, also disappointed with 0.2 percent growth, against forecasts for a 0.6 percent increase. This report indicates that consumers were more cautious in October, likely due in part to rising health risks and declining federal stimulus payments.
- Tuesday also saw the release of the National Association of Home Builders Housing Market Index for November. This measure of home builder confidence blew past expectations, rising from 85 in October to 90 in November, against calls to remain unchanged during the month. This result brought the index to an all-time high, breaking the record that was previously set in October. Record-low mortgage rates have continued to drive additional prospective homebuyers to the market, which, in turn, has led to a surge in sales and home builder confidence. Looking forward, supply remains low in key markets, which should help support strong home builder confidence and construction.
- We saw the positive impact from high home builder confidence with Wednesday’s release

General Market News (continued)

of the October building permits and housing starts reports. Starts were the highlight during the month, rising by 4.9 percent against calls for a 3.2 percent increase. Permits remained flat despite forecasts for 1.4 percent growth. This left permits at their highest monthly level since 2007, while starts set a new post-lockdown high. The pace of single-family home starts hit its highest level in more than 13 years, as record-low mortgage rates and shifting preferences for larger suburban homes helped bolster builder confidence and construction. Builders also have a sizeable backlog in permitted homes that have not yet started, which indicates that this strong pace of construction is expected to continue.

- We finished the week with Thursday's release of the October existing home sales report. Sales of existing homes rose by 4.3 percent against calls for a 1.1 percent decline. This better-than-expected result brought the pace of existing home sales to its highest level since 2005, highlighting the impressive rebound in sales we've seen since lockdowns were lifted. Inventory remains a concern for future home sales, as the amount of homes available for sale was down nearly 20 percent on a year-over-year basis in October. Unsurprisingly, given the high demand and supply constraints, housing prices have also seen a notable rise post-lockdowns, with prices up 15.5 percent year-over-year.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	-0.73	8.94	11.95	16.78
Nasdaq Composite	0.25	8.74	33.21	40.65
DJIA	-0.65	10.64	4.69	7.86
MSCI EAFE	1.87	14.42	2.06	6.02
MSCI Emerging Markets	1.76	9.62	10.58	18.33
Russell 2000	2.38	16.15	8.28	14.30

Source: Bloomberg, as of November 20, 2020

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.59	7.31	7.42
U.S. Treasury	0.52	8.36	7.84
U.S. Mortgages	0.14	3.71	4.04
Municipal Bond	0.64	4.42	4.93

Source: Morningstar Direct, as of November 20, 2020



What to Look Forward To

We'll start the week with Tuesday's release of the Conference Board Consumer Confidence Index for November. Economists expect to see the index fall from 100.9 in October to 98 in November. If estimates hold, this release would mark two straight months with declining confidence, echoing a similar drop in the previously released University of Michigan consumer sentiment survey. Historically, improving consumer confidence has supported faster spending growth. So, another month of decline would be concerning but understandable given the worsening public health picture over the time period. With that said, the index is expected to remain well above the lockdown-induced low of 85.7 it hit in April, signaling that consumers are weathering the third wave of the coronavirus with more resilience than at the start of the pandemic.

On Wednesday, the initial jobless claims report for the week ending November 21 will be released. Economists expect to see 728,000 initial unemployment claims filed, marking an improvement from the 742,000 initial claims we saw the week before. If estimates hold, this report would signal that the increase in initial claims during the week ending November 14 was not the start of a trend of increased layoffs. Nonetheless, even if estimates hold, the level of initial claims would be more than triple the weekly average from 2019. These numbers would indicate the labor market is still facing significant headwinds and should be monitored going forward.

Wednesday will see the preliminary release of the October durable goods orders report. Orders are expected to rise by 0.9 percent during the month, following a better-than-expected 1.9 percent increase in September. Core durable goods orders, which strip out the impact of volatile transportation orders, are expected to show a more modest 0.4 percent increase. Often viewed as a proxy for business investment, core durable

goods orders are an indicator for the solid recovery in business spending we've seen post-lockdown. A further increase in October would show that businesses continued to spend despite the uncertainty caused by rising COVID-19 case counts and the November election.

The October personal income and personal spending reports will also be released on Wednesday. Spending growth is expected to moderate during the month, with economists anticipating a 0.4 percent increase following a 1.4 percent rise in September. If estimates prove to be accurate, the numbers for spending growth would be in line with the slowdown in retail sales growth we saw in October. Income growth is also expected to slow, with economists calling for a 0.1 percent increase following a 0.9 percent rise in September. Income growth has been volatile since the pandemic began, as shifting government stimulus and unemployment benefits have caused large changes on a month-to-month basis. October marked the end of supplemental federal emergency unemployment benefits, which is expected to weigh on income growth despite the continued labor market improvement.

Wednesday will also see the release of the second and final reading of the University of Michigan consumer sentiment survey for November. The preliminary estimate for the month showed a surprising decline from 81.8 in October to 77 in November, but economists do not anticipate any changes for the final reading. Two primary factors led to the decline in sentiment: the spreading pandemic and the conclusion of the election in November. With more clarity on the political front, we saw a divide in responses between Democrats and Republicans. The Republican outlook fell notably in November, while the Democrat outlook held up well after rising notably in October. As with the Conference Board report, this survey will

What to Look Forward To (continued)

continue to be widely monitored by economists, to determine how the worsening public health picture will affect consumer spending and overall economic growth.

We'll get another look at the housing market with Wednesday's release of the October new home sales report. New home sales are expected to rise by 1.4 percent during the month, after declining by 3.5 percent in September. New home sales are a smaller and often more volatile portion of the housing market compared with existing home sales. If estimates hold, however, the pace of new home sales would sit at its second highest level in roughly 13 years, trailing only August's recent high-water mark. Overall, the housing market remains healthy. A rebound in new home sales in October would be another sign that home buyer demand remains resilient

despite the rising COVID-19 case counts we saw during the month.

Finally, we'll finish the week with Wednesday's release of the Federal Open Market Committee meeting minutes from the Federal Reserve's (Fed's) November meeting. This delayed release of the meeting minutes is not expected to offer much additional information, given the evolving nature of the pandemic since the Fed's meeting earlier this month. That said, the minutes may offer hints about potential future asset purchase plans and discussion regarding the election. The Fed did not make any major changes to monetary policy at the meeting. Given the continued pandemic and the associated risks to the economic recovery, the central bank is expected to remain supportive.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. Rev. 11/20.

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