WEEKLY MARKET UPDATE, NOVEMBER 30, 2020

GENERAL MARKET NEWS

• The holiday-shortened week saw a modest pickup in yields. The 10-year Treasury yield opened at 0.82 percent and closed just shy of 0.88 percent on Wednesday. This morning, the 10-year yield opened at 0.85 percent, up 3 basis points (bps) from last week's open. The 30-year yield opened just shy of 1.52 percent last week, and it opened at 1.58 percent this morning—a pickup of 6 bps. Finally, on the shorter end of the curve, the 2-year opened at 0.16 percent last week, dropping 1 bp to 0.15 percent this morning.

• All three major U.S. indices were up more than 2 percent in the holiday-shortened trading week. The recent rally continues to push markets to record highs, with the S&P 500 and Nasdaq Composite posting their highest closing prices ever last week. The top-performing sectors were energy, financials, and consumer discretionary, while REITs, utilities, and health care underperformed. The energy sector maintained its rebound along with other broader reopening plays, as news of a vaccine continued to filter through the markets.

• Janet Yellen, former Federal Reserve chairwoman, was selected by Joe Biden as his Treasury secretary. The news was seen as a positive for stimulus and offered support to sectors that have recently rebounded. Wells Fargo, PayPal, Bank of America, Exxon Mobil, and Chevron were among the top 10 contributors on the week—all up by more than 6 percent.

• Wednesday saw the preliminary release of the October durable goods orders report. Durable goods orders increased by more than expected during the month, rising by 1.3 percent against calls for a more modest 0.8 percent increase. Core durable goods orders, which strip out the impact of volatile transportation orders, also beat expectations, rising by 1.3 percent against calls for 0.5 percent growth. Core durable goods orders are often viewed as a proxy for business investment, so this better-than-expected result is encouraging as it shows businesses were willing and able to invest in October despite the uncertainty created by rising case counts and the November election.

• The October personal income and personal spending reports were also released on Wednesday. Spending came in slightly above expectations, rising by 0.5 percent against forecasts for 0.4 percent growth. This is down from the downwardly revised 1.2 percent spending increase we saw in September, however. In fact, it marks the lowest level of monthly spending growth since April, highlighting the slowdown in consumer spending we've seen this fall. Personal income disappointed, falling by 0.7 percent against forecasts for a 0.1 percent decline. Incomes have been very volatile on a month-to-month basis due to changing federal stimulus and expiring unemployment benefits. October actually saw wage income increase during the month; however, the expiration of the supplemental lost wage program was more than enough to cause overall income to drop.

WHAT TO LOOK FORWARD TO

Tuesday will see the release of the Institute for Supply Management (ISM) Manufacturing index for November. This measure of manufacturer confidence is expected to decline from 59.3 in October to 57.8 in November. If estimates prove accurate, the index would sit at its second-highest level since December 2019. Accordingly, the anticipated decline is not a major concern. This is a diffusion index, where values above 50 indicate expansion, so the expected result would keep the index in expansionary territory. Manufacturer confidence has rebounded notably since hitting a lockdown-induced low of 41.5 in April. Going forward, it should support growth in manufacturing investment and output, which remains below pre-pandemic levels.

On Thursday, the initial jobless claims report for the week ending November 28 is set to be released. Economists expect to see 763,000 initial claims filed during the week, down from 778,000 claims the week before. This result would break a two-week streak of increasing initial claims, but the pace of weekly initial claims would remain very high on a historical basis. For reference, during the 2008 financial crisis, the worst single week for initial claims saw 661,000 initial filers. This year, we have been above that level every week since lockdowns started in mid-March. This fact highlights the continued labor market weakness created by the ongoing pandemic, so this weekly release will continue to be widely monitored.

Thursday will also see the release of the ISM Services index for November. Service sector confidence is expected to show a modest decline from 56.6 in October to 56.1 in November. This is another diffusion index, where values above 50 indicate expansion, so this result would leave the index in expansionary territory. As with manufacturing confidence, service sector confidence rebounded swiftly once lockdowns were lifted. That said, if estimates prove accurate, the index would be left at its lowest point since May, highlighting the very real risk that the worsening pandemic presents for service sector businesses. This sector accounts for the lion's share of economic activity. Going forward, given the anticipated decline and the worsening public health picture, monitoring this release will be important.

On Friday, the November employment report is set to be released. Economists expect to see 500,000 jobs added during the month. This level would be down from the 638,000 jobs gained in October, but still a step in the right direction. The unemployment rate is also expected to show further improvement, with economists looking for a modest drop from 6.9 percent in October to 6.8 percent in November. If estimates hold, this report would mark the fewest number of jobs added in a month since lockdowns ended, highlighting the slowing pace of recovery for the labor market. As we saw with rising initial unemployment claims, the job market remains under considerable stress. We have a long way to go to return to pre-pandemic levels, so this monthly report will continue to be widely followed.

We'll finish the week with Friday's release of the October international trade report.

Economists expect to see the trade deficit widen during the month, from $63.9 billion in September to $64.8 billion in October. If estimates prove accurate, the deficit would sit at its second-widest point since 2008, trailing only the $67 billion gap recorded in August. The advance trade in goods report showed rising imports and exports of goods in October. Nonetheless, a net widening in the trade of goods was recorded during the month, with the deficit going from $79.4 billion to $80.3 billion. Overall, trade levels remain below pre-pandemic levels, so work remains to be done in this area. In the short term, however, rising COVID-19 case counts in November are expected to serve as a headwind for global demand growth.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.30%	11.44%	14.52%	17.53%
Nasdaq Composite	2.97%	11.97%	37.16%	41.50%
DJIA	2.25%	13.13%	7.04%	8.68%
MSCI EAFE	2.23%	16.98%	4.34%	7.31%
MSCI Emerging Markets	1.79%	11.57%	12.55%	19.76%
Russell 2000	3.94%	20.72%	12.54%	15.13%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.03%	7.28%	7.21%
U.S. Treasury	–0.13%	8.21%	7.59%
U.S. Mortgages	–0.05%	3.66%	3.99%
Municipal Bond	0.08%	4.50%	4.84%

Source: Morningstar Direct

Disclosures: 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. Basis points (bps) is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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