



Price Returns

Index	Close	Week	YTD
S&P 500 Index	3,585	2.2%	11.0%
Dow Jones Industrial Average	29,480	4.1%	3.3%
NASDAQ	11,829	-0.6%	31.8%
Russell 2000 Index	1,744	2.3%	4.5%
MSCI EAFE Index	2,001	4.0%	-1.7%
10-yr Treasury Yield	0.89%	0.1%	-1.1%
Oil WTI (\$/bbl)	\$40.57	0.7%	-33.6%
Bonds*	\$117.58	-0.2%	6.6%

Source: Bloomberg, FactSet

\*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

**U.S. Equity Market**

- U.S. large cap equities (S&P 500® Index) rose +2.2%, as Pfizer announced its mRNA-based COVID-19 vaccine candidate demonstrated an efficacy rate above 90% at seven days after the second dose, with Dr. Anthony Fauci characterizing the results as “extraordinary.” Dr. Scott Gottlieb said a vaccine could be broadly available by the end of the second quarter or into the third quarter of 2021. Meanwhile, new COVID-19 cases continued to rise in the U.S. and Europe. The vaccine news on Monday sparked a major shift away from growth/technology towards value/cyclical stocks. Treasuries were weaker with the steepening of the curve, the dollar was mixed, gold fell -3.4% and WTI crude rose +0.7%.
- Sector performance:
  - Energy (+16.5%) rallied on the cyclical rotation, despite oil (WTI) only being up +0.7%. It was the best ever weekly performance for the sector.
  - Financials (+8.3%) outperformed, with banks strengthening as the yield curve steepened.
  - Industrials (+5.3%) rose, led by Aerospace & Defense and General Electric (+6.1%).
  - REITs (+4.9%), consumer staples (3.6%) and utilities (+2.8%) outperformed, as investors favored value-oriented sectors.
  - Health care (+1.8%) underperformed, led by weakness in Pfizer (-1.5%), **Bristol-Myers Squibb** (-0.7%), **Medtronic** (-0.6%) and **Danaher** (+0.4%).
  - Materials (+1.4%) was led to the downside by Air Products & Chemicals (-15.6%) and Ecolab (-3.9%).
  - Communication services (+0.8%) underperformed, led by Spotify (-7.6%), Walt Disney (-3.0%), **Facebook** (-0.7%), **Alphabet** (+0.6%) and Twitter (+0.7%).
  - Information technology (-0.4%) fell, led by Salesforce (-3.8%), **MasterCard** (-2.8%), NVIDIA (-2.5%), **Visa** (-1.0%), **Microsoft** (-0.9%) and **Adobe** (0.4%).
  - Consumer discretionary (-1.1%) fell, led by **Amazon** (-0.5%) and travel stocks.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees. Please reference important disclosures on page 9.



- The S&P 500 rallied regarding the Pfizer vaccine news on Monday, but gave up some of those gains amid concerns surrounding the lack of fiscal stimulus and increasing COVID-19 cases.

**S&P 500**



Source: The Daily Shot

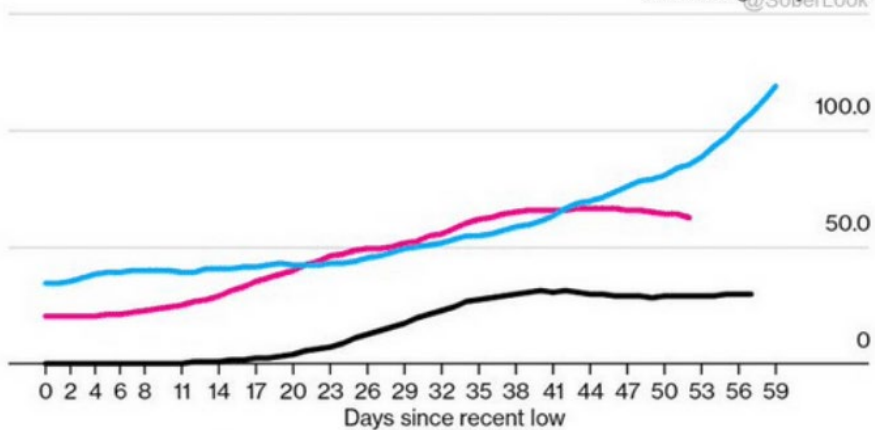
- The increase in volatility likely resulted from investors weighing the long-term positive vaccine news with the short-term negative news of rising COVID-19 cases.

**America's Surges**

The three uptrends of the U.S. pandemic from trough to peak

March-April Surge    June-July    September-Present

Posted on  
DailyShot.com  
12-Nov-2020  
150.0K avg. daily cases  
@SoberLook



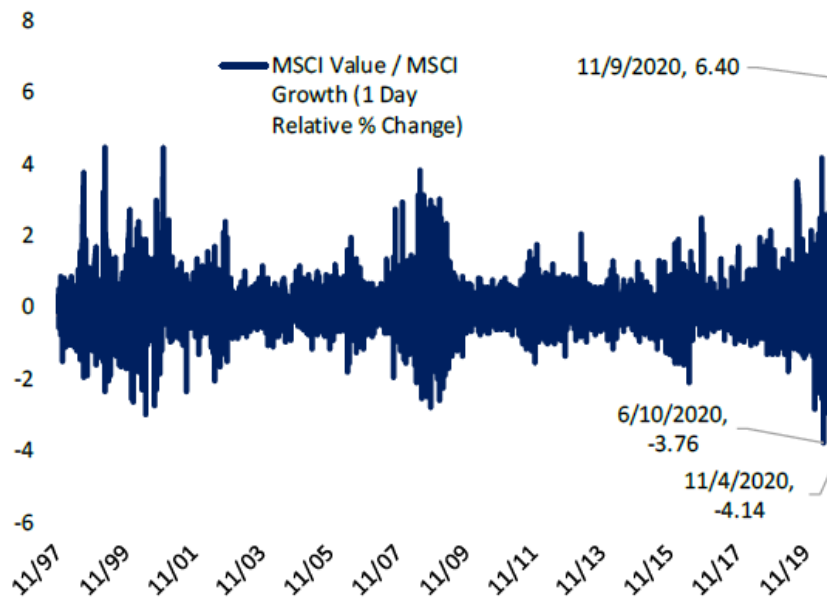
Source: The COVID Tracking Project at The Atlantic

Note: Lines start with recent low and end with sustained drop of 5% in 7-day avg.

Source: The Daily Shot



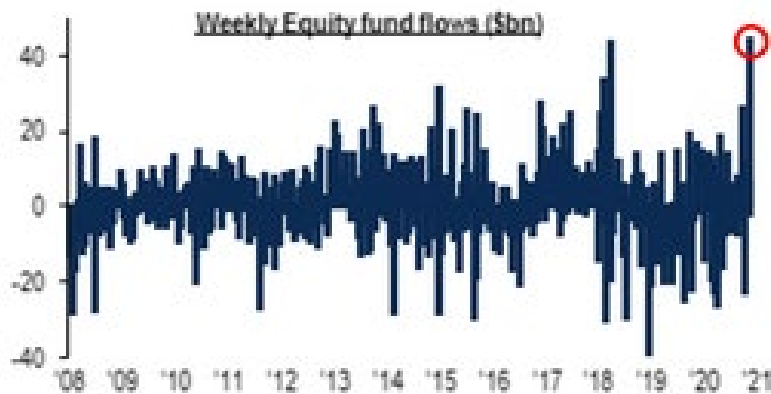
- Value outperformed Growth by more than six percentage points Monday, marking the largest daily outperformance for Value in 70 years, according to Empirical Research. A shorter 23-year period is shown in the chart below. *Barron's* observed that last week marked the first time since March 2000 that the Dow Industrials rose 4%+ while the NASDAQ fell in the same week.



Source: Bespoke

- Investors piled into equity mutual funds at a record pace.

Chart 4: Largest week ever of global equity inflows



Source: BofA Global Investment Strategy, EPFR

Source: Marketwatch



- A potential positive for equity sentiment is that year-over-year earnings growth is expected to inflect upward in 2021.

**Return of Earnings Growth May Be Just One Quarter Away**

Strong Q3 2020 Earnings Season Sets the Stage for a Strong Earnings Recovery in 2021

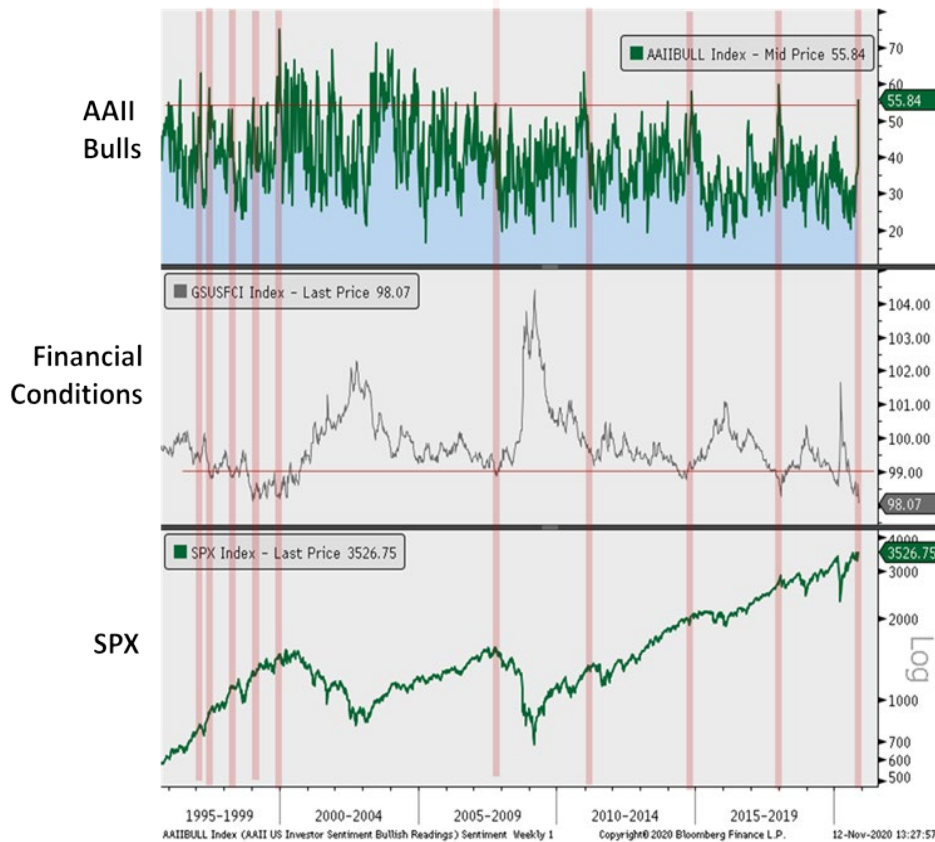


Source: LPL Research, FactSet, 11/11/20

Estimates may not develop as predicted. Less than 10% of S&P 500 companies have yet to report results for Q3 2020.

Source: The Daily Shot

- The American Association of Individual Investors (AAII) bulls increased 17 points to 56%, the highest since January 2018, while self-described bears fell 11 points to 25%, the lowest in 11 months.

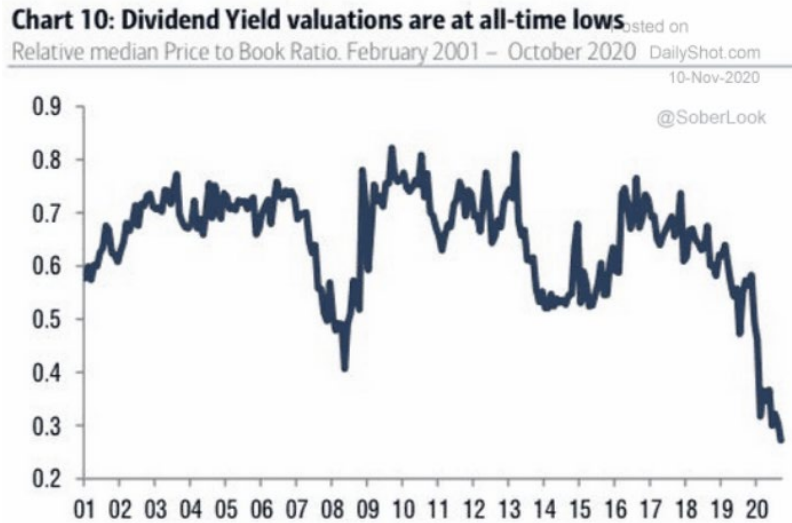


Source: Cornerstone Macro

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- Stocks with higher dividends appear attractively valued, based on historical relative price-to-book ratios.



Source: FactSet, BofA US Equity & US Quant Strategy

Source: The Daily Shot

### Fixed Income Markets

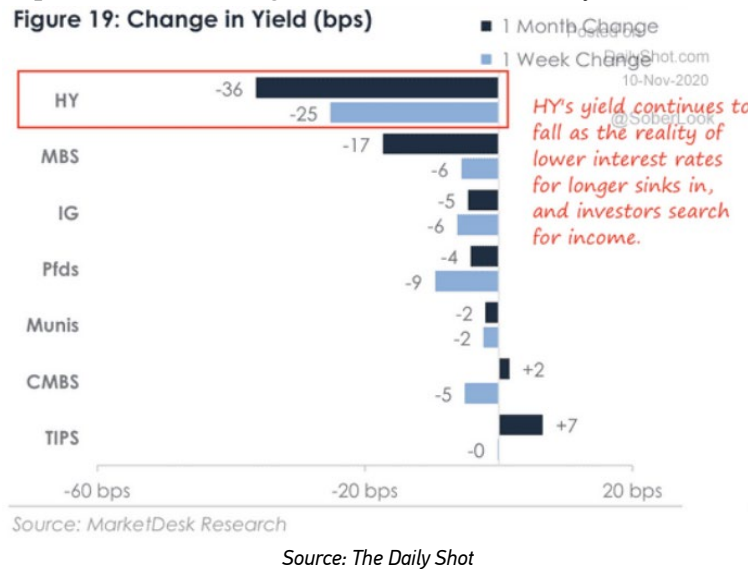
- The Treasury curve steepening trend resumed, partially impacted by the positive vaccine news.



Source: The Daily Shot



- High-yield bond yields continue to fall, partially due to investor expectations for lower interest rates lasting longer than expected, as well as global economic recovery.



### U.S. Economic and Political News

- Stocks surrendered some of their gains Thursday, after Fed Chair Jay Powell stated, "We're recovering, but to a different economy. Even after the unemployment rate goes down and there's a vaccine, there's going to be a probably substantial group of workers who are going to need support as they're finding their way in the post-pandemic economy, because it's going to be different in some fundamental ways. My sense is that we will need to do more and that Congress will need to do more. The main risk we see today is the further spread of the disease here in the United States."
- ADP Private Payrolls inched up 365,000 in October, well shy of the 600,000 consensus forecast.
- Weekly Jobless Claims were 709,000.
- The Consumer Price Index registered as flat in October, shy of the 0.2% consensus forecast, on both a headline and a core (excluding food and energy) basis. On a year-over-year basis, CPI rose 1.2%.
- The Producer Price Index rose 0.3% in October, while the Core PPI edged up 0.2%. On a year-over-year basis, Producer Prices are up 0.5%.
- The University of Michigan's Consumer Sentiment Index fell to 77 in the preliminary November reading from 81.8 in October, missing the 82 consensus estimate.

### International Markets and News

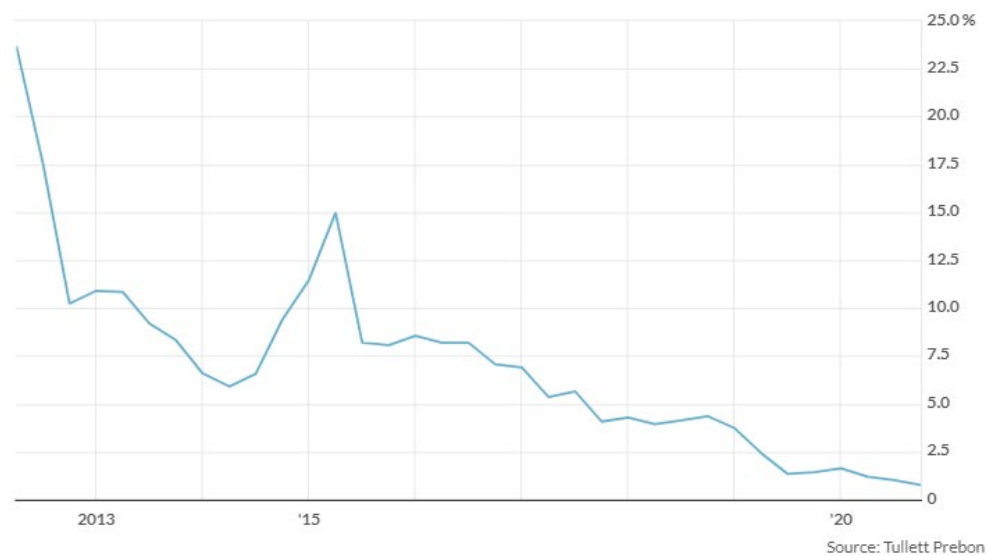
- The Chinese stock market (Shanghai Composite) fell -0.1%, as President Trump announced an executive order prohibiting Americans from investing in Chinese firms that his administration claims have ties to the country's military, which would be effective January 11, 2021.
  - The Chinese government released a draft of anti-trust guidelines aimed at curbing the power of the country's leading internet-based platforms, which was another setback for **Alibaba** after regulators abruptly pulled the initial public offering of fintech company Ant Group on November 3.



- Europe's Stoxx 600 Index rose +5.1% on the positive vaccine news, despite increased lockdowns/restrictions in France, Portugal and Germany to limit the spread of COVID-19.
  - European Central Bank (ECB) President Christine Lagarde signaled that the ECB would expand its pandemic emergency purchase program (PEPP), which has bought more than 640 billion Euros of bonds, and its targeted longer-term refinancing operations (TLTROs), which have lent almost 1.5 trillion Euros to banks at favorable rates, by year end.
  - In the U.K., September GDP growth of 1.1% was slower than expected.
  - Rather remarkably, especially relative to just a few years ago, yields on shorter-term Greek debt turned negative, with 10-year yields in the country offering less than 1%.

### Greece's falling yields

Greece 10 Year Government Bond



Source: Marketwatch

- Japanese equities (Nikkei 225 Index) rose +4.4% in sympathy with global equities, and Prime Minister Yoshihide Suga asked his cabinet to provide a proposal for a third stimulus package, which analysts believe will be close to ten trillion yen (\$95B).
  - More than 30% of listed Japanese companies with fiscal years ending in March increased their forecasts for full-year earnings, when they reported their first-half (April-September) results.





**This Week:**

- Moderna's stock surged in pre-hours trading after news emerged about its COVID-19 vaccine demonstrating remarkable 94.5% efficacy in a Phase 3 clinical trial. Stock market futures tacked onto their early gains.
- **PNC** announced it is acquiring the U.S. operations of BBVA for \$11.6 billion in cash.
- **Home Depot** is buying back HD Supply for \$8 billion.
- Retailers dominate corporate earnings this week with notable reports including, but not limited to: Walmart, NVIDIA, **Home Depot**, Lowe's, **Intuit**, Target, TJX, **Workday**, Ross Stores, Copart, Palo Alto Networks, **Tyson Foods**, Aramark, McAfee and Williams-Sonoma.
- U.S. Economic data:
  - Monday: Empire Manufacturing (6.3 actual, below 15.0 consensus), Manufacturing Sales, Manufacturing I/S Ratio, Manufacturing Inventories, Unfilled Orders Manufacturing, New Orders Manufacturing
  - Tuesday: Housing Starts, Export Prices, Import Prices, Retail Sales ex Autos, Retail Sales, International Securities Transactions, Wholesale Inventories, Wholesale Trade, Capacity Utilization, Industrial Production, Business Inventories, NAHB Housing Market Index, TIC Flows
  - Wednesday: MBA Mortgage Purchase Applications, Building Permits, Housing Starts, Core Inflation, Consumer Price Index
  - Thursday: Philadelphia Fed Index, Existing Home Sales, Leading Indicators
  - Friday: Retail sales, Retail Sales ex-Autos, New Home Price Index, Net Income Before Taxes

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Adam Bergman, CFA®  
Executive Director





*Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.*

**S&P 500®:** The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P® Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks. The volatility of an index varies greatly; investments cannot be made directly in an index.

**Russell 2000®:** The Russell 2000® index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index.

**Dow Jones:** The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**NASDAQ:** The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**NASDAQ-100:** The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

**MSCI EAFE:** MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries\* around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**STOXX Europe 600:** The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**Nikkei 225:** The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. (Sourced from Investopedia).

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