



Index	Price Returns		
	Close	Week	YTD
S&P 500 Index	3,558	-0.8%	10.1%
Dow Jones Industrial Average	29,263	-0.7%	2.5%
NASDAQ	11,855	0.2%	32.1%
Russell 2000 Index	1,786	2.4%	7.0%
MSCI EAFE Index	2,026	1.4%	-0.5%
10-yr Treasury Yield	0.83%	-0.1%	-1.1%
Oil WTI (\$/bbl)	\$42.42	5.8%	-30.5%
Bonds*	\$118.29	0.6%	7.1%

Source: Bloomberg, FactSet

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

## Last Week:

### U.S. Equity Market

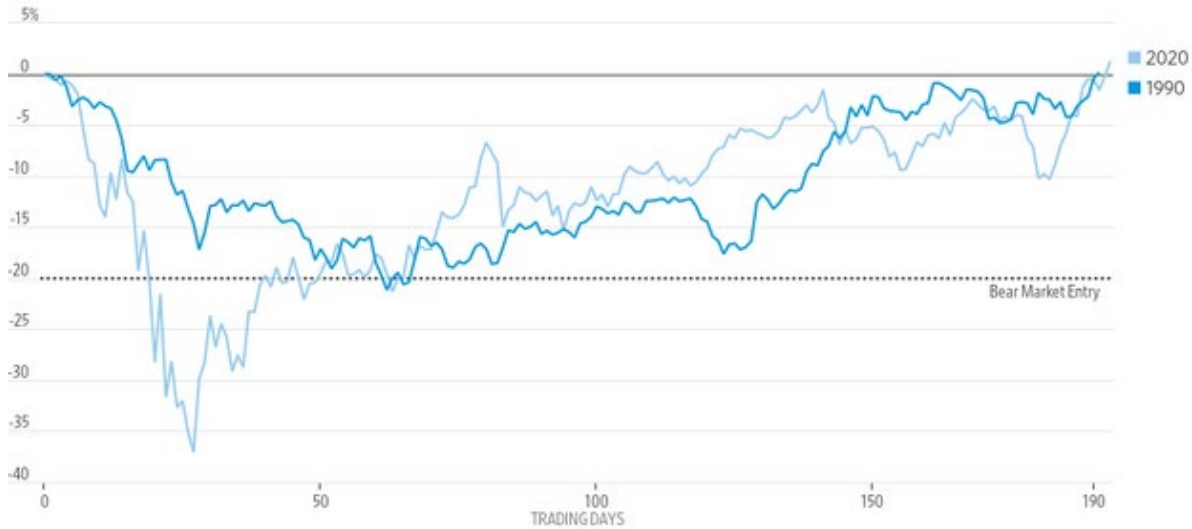
- U.S. large cap equities (S&P 500® Index) fell -0.8%, as rising new COVID-19 cases and increasing restrictions in the U.S. and Europe offset Moderna's announcement that its vaccine is 94.5% effective (based on an interim analysis of late-stage data) and Pfizer increasing its vaccine candidate's effective rate to 95%. Additional investor concerns were the fiscal stimulus stalemate in Washington and the Treasury saying it would not extend some of the Federal Reserve's emergency credit facilities. Treasuries were firmer, the dollar was down -0.4%, gold fell -0.7% and WTI crude rose +5.8%.
- Sector performance:
  - Energy (+5.0%) rallied with oil (WTI) up +5.8%.
  - Materials (+1.1%) were led by Air Products & Chemicals (+2.5%) and DuPont (+1.5%).
  - Industrials (+1.1%) were led by airlines, Boeing (6.7%) and General Electric (+5.5%).
  - Financials (+0.5%) outperformed, led by banks.
  - Consumer discretionary (-0.1%) outperformed, led by Tesla (+19.9%) after Standard & Poor's announced it would be added to the S&P 500 Index.
    - **Amazon** announced it is offering pharmacy services via home delivery.
  - Communication services (-0.9%) underperformed, with weakness paced by **Facebook** (-2.6%), AT&T (-2.0%), **Alphabet** (-2.0%) and **Verizon** (-1.7%).
  - Information technology (-0.9%) fell, led by **Workday** (-5.7%), **MasterCard** (-3.6%), **Visa** (-3.1%), **Microsoft** (-2.8%), Apple (-1.6%) and NVIDIA (-1.6%).
  - Consumer staples (-1.5%), REITs (-1.8%), and utilities (-3.9%) underperformed, as investors favored less defensive-oriented sectors.
  - Health care (-3.0%) underperformed, led by **Anthem** (-8.2%), **Humana** (-6.3%), **UnitedHealth Group** (-5.9%), **Danaher** (-3.8%) and **Bristol-Myers** (-3.2%).



- The stock market's recovery from a bear market averaged 1,483 trading days, but this year recorded its fastest recovery to a new high in 30 years.

**DJIA Recovery**

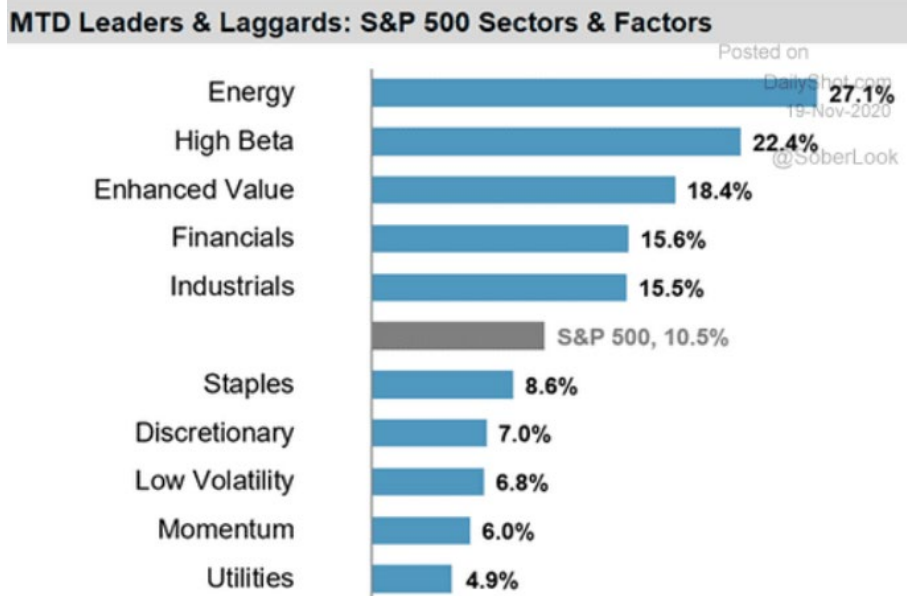
The current recovery to a new record close following a bear market is the quickest since the 191 trading days from Oct. 1990 to Apr. 1991



Source: Dow Jones Market Data

Source: Marketwatch

- The more value-oriented sectors outperformed in November, with energy, financials and industrials generating the strongest returns.



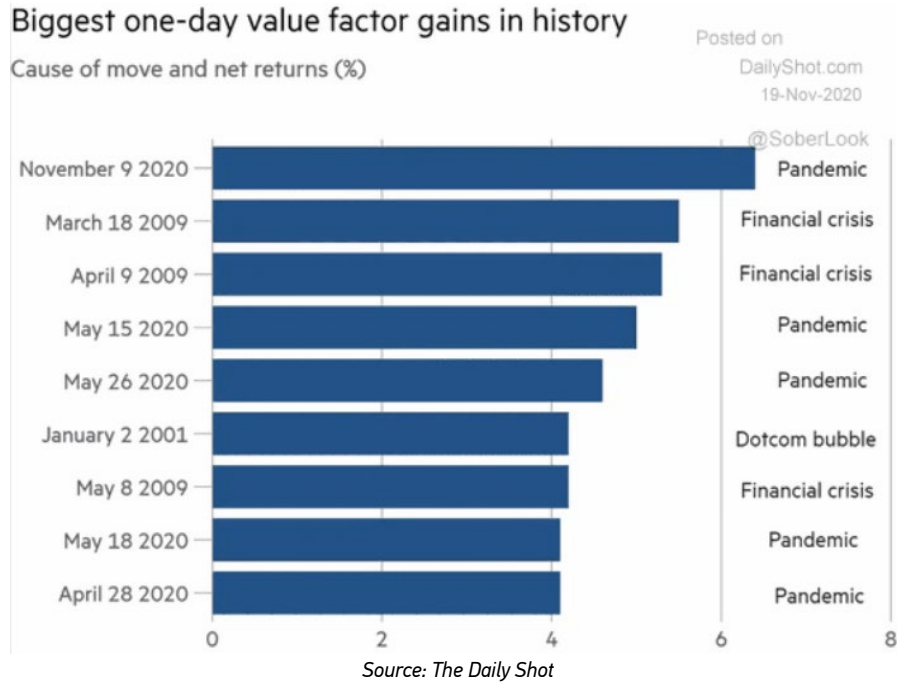
Source: S&P Dow Jones Indices. Data as of Nov. 17, 2020.

Source: The Daily Shot

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- November 9 (day of Pfizer vaccine announcement) saw the largest one-day gain in history for the value factor.

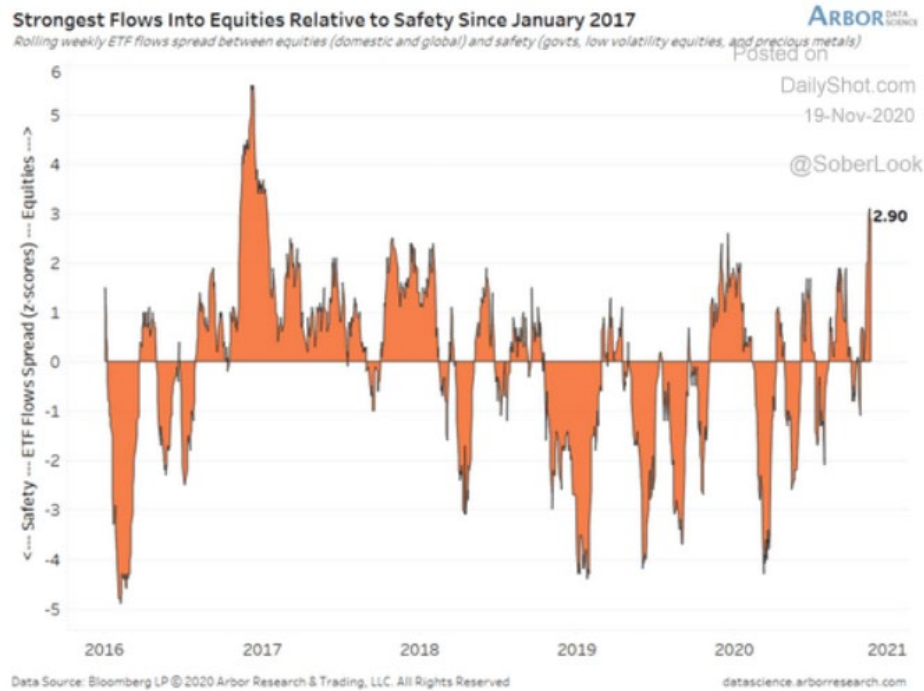


- Portfolio managers appear to be overweighting small-cap, emerging markets and value equities, and underweighting consumer staples, cash, and bonds in November, according to Bank of America's Fund Manager Survey.



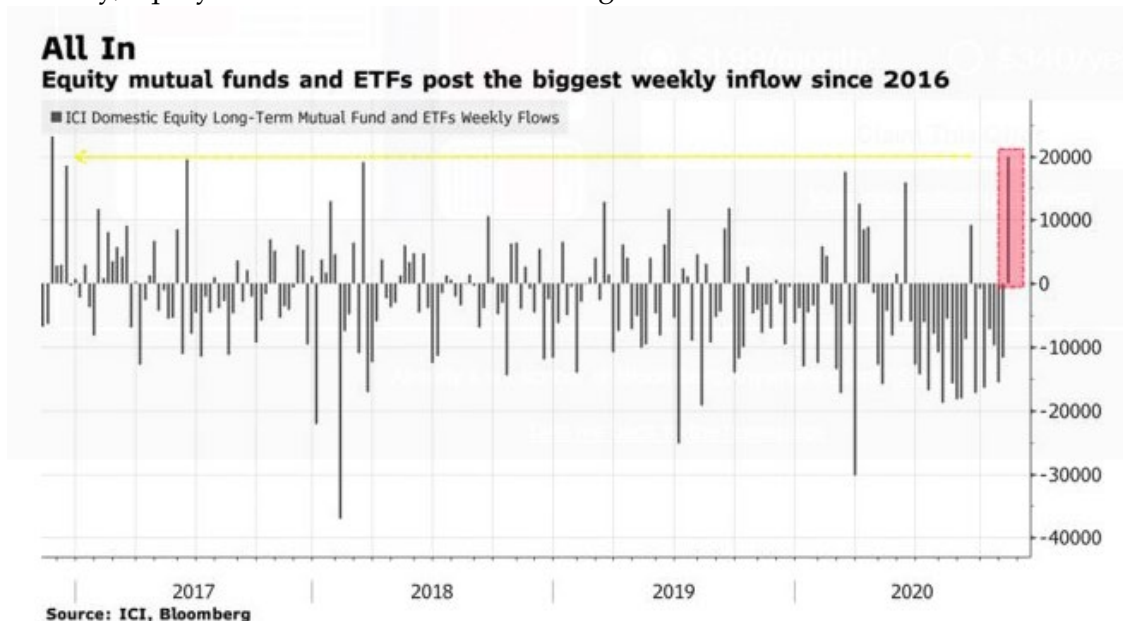


- Flows into equities (U.S. and global) relative to safety trades (government bonds, low volatility equities and precious metals) increased to the highest level since January 2017.



Source: The Daily Shot

- Additionally, equity flows overall reached their highest level since 2016.



Source: Bloomberg

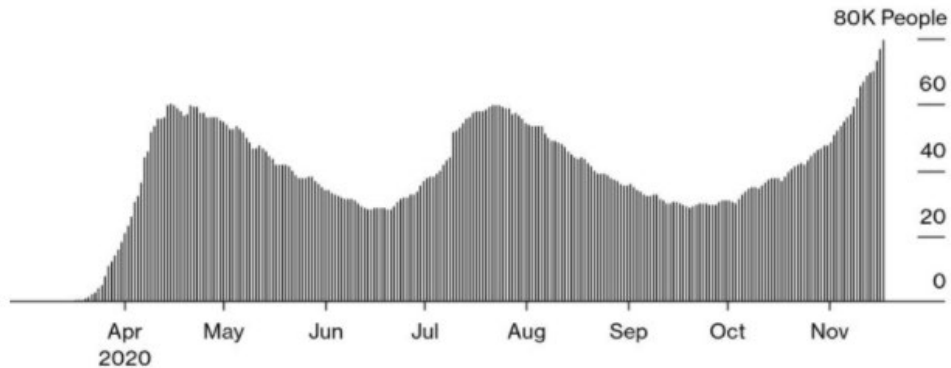
- Meanwhile, short interest reached its lowest level in 16 years.



- Various states and municipalities have reinstated partial lockdowns, including the closing of New York City schools, as COVID-19 deaths and hospitalizations rose in recent weeks. That led the Centers for Disease Control and Prevention to issue a rare “do not travel” recommendation for Thanksgiving.

**Currently Hospitalized**

Patients currently hospitalized for Covid-19 have climbed since October



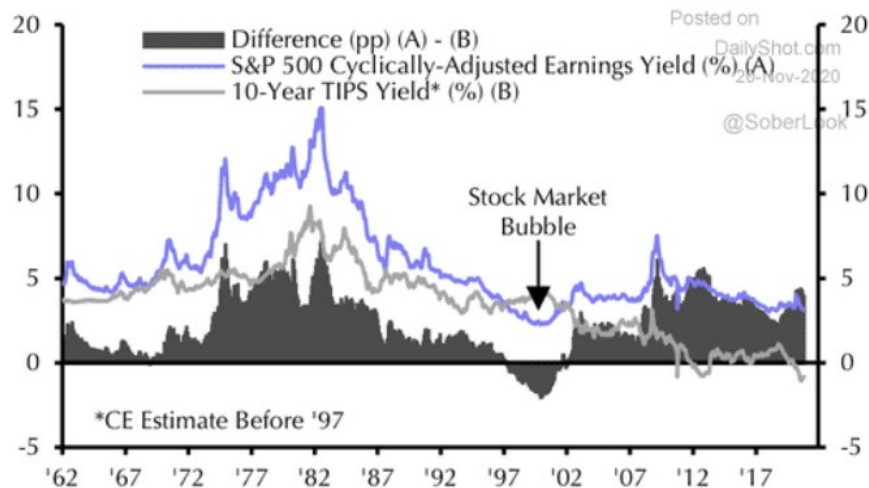
Source: Covid Tracking Project

Bloomberg

Source: CNN

**Fixed Income Markets**

- Treasury yields fell by the largest amount since June (for the 30-year bond) and August (for the 10-year note).
- Real (after inflation) yields of “safe” assets like Treasury Inflation-Protected Securities (TIPS) may remain low, potentially causing investors to search for yield in riskier asset classes like high-yield bonds and/or equities.

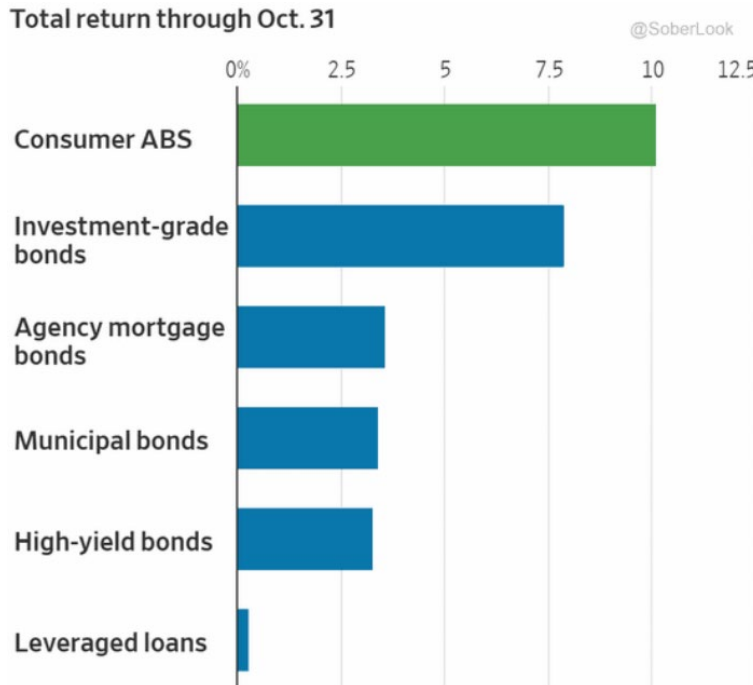


Sources: Refinitiv, Bloomberg, Google, S&P, Capital Economics

Source: The Daily Shot



- Bonds backed by loans that consumers use for household expenses outperformed most other fixed income investments in 2020, as of October 31.



Source: The Daily Shot

### U.S. Economic and Political News

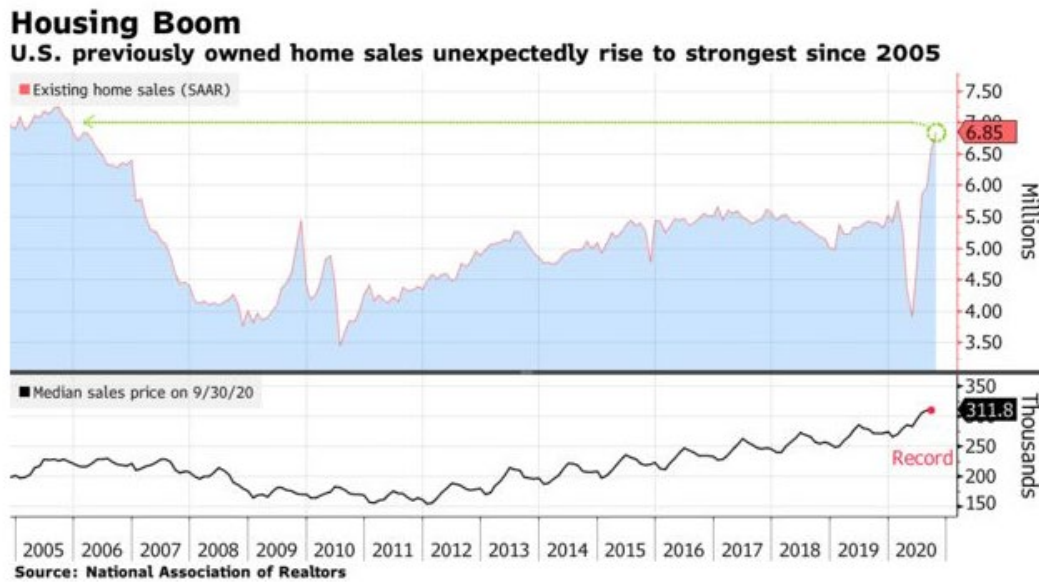
- Treasury Secretary Steven Mnuchin asked the Federal Reserve to return \$455 billion of unused COVID-19 funding that was set to expire December 31. The Fed obliged, while also issuing a statement indicating it “would prefer the full suite of emergency facilities established during the coronavirus pandemic continue to serve their important role as a backstop for our still-strained and vulnerable economy.”
  - Some observers labeled the action as political. “Even the US Chamber of Commerce, a normally Republican-friendly organization, said Mnuchin’s decision ‘closes the door on important liquidity for businesses at a time when they need them most, and unnecessarily ties the hands of the incoming administration.’”
- For its part, JPMorgan is predicting the U.S. economy re-enters recession in the first quarter.
- Bitcoin prices reached \$18,700, closing in on the near \$20,000 record established in December 2017. Blackrock Fixed Income Chief Investment Officer Rick Rieder said on a CNBC interview: “Do I think it’s a durable mechanism that could take the place of gold to a large extent? Yeah, I do, because it’s so much more functional than passing a bar of gold around.”
- Weekly Jobless Claims of 742,000 were a bit higher than the 700,000 consensus forecast.
- The Philadelphia Fed index dropped to 26.3 in November from its post-pandemic high in October.

**Sterling Capital Management in no way recommends Bitcoin or other cryptocurrencies.**

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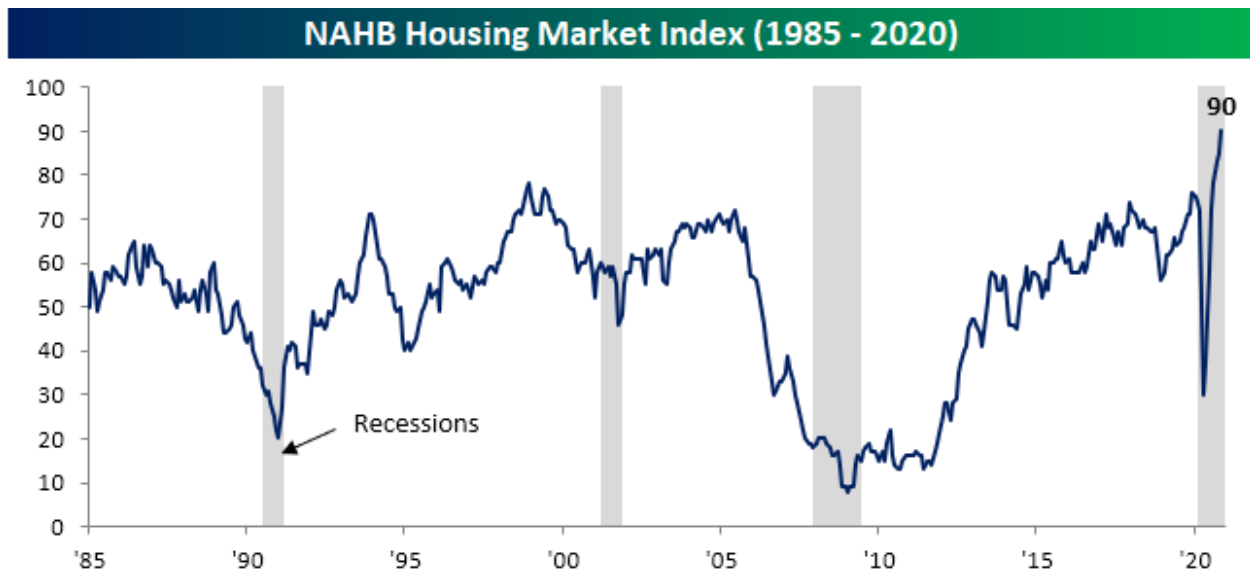


- Existing Home Sales jumped 4.3% sequentially and 26.6% year-over-year, to a 15-year high. Median sales prices touched a record high.



Source: Bloomberg

- Homebuilder sentiment reached its highest level since 1985.

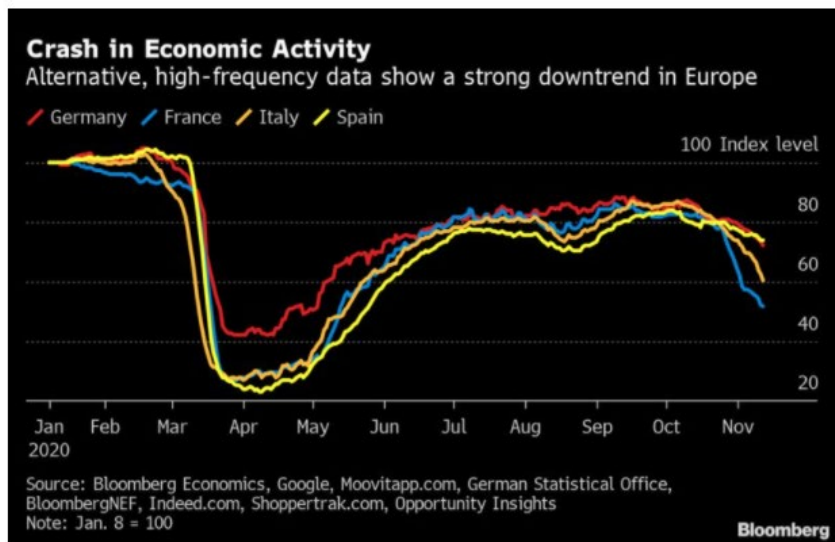


Source: Bespoke



### International Markets and News

- The Chinese stock market (Shanghai Composite) rose +2.0%, as the People's Bank of China (PBOC) injected RMB 800 billion (~USD \$121 billion) in medium-term loans into the banking system, while leaving interest rates unchanged. The medium-term lending facility rate (2.95%) to financial institutions also unchanged.
  - Chinese high-yield bonds yields rose after an unprecedented number of defaults by state-owned enterprises, and ~126 new issues being withdrawn.
  - China and 14 other Asian countries signed the Regional Comprehensive Economic Partnership (RCEP), a trade deal that will form a free trade area that includes over 30% of current global GDP and is expected to rise to about 50% of global GDP by 2030. The deal brings together China, Japan, South Korea and ten Southeast Asian countries to eliminate tariffs and quotas for 65% of regional trade in goods, and sets a target of 90% in 20 years.
- Europe's Stoxx 600 Index rose +1.2% on the positive vaccine news, despite several European countries considering whether to extend month-long lockdowns to limit the spread of COVID-19.
  - Hungary and Poland blocked the European Union's (EU) planned EUR 1.8 trillion fiscal package, which includes a large fund to help economies weather the damage caused by COVID-19.
  - Lockdowns in Europe are already impacting economic activity on the continent.



Source: Bloomberg

- Japanese equities (Nikkei 225 Index) rose +0.6% as Japan's economy grew at an annualized 21.4% rate, well ahead of the consensus estimate for 18.9% growth.
  - The primary GDP growth driver was net external demand, led by a resurgence in global auto demand, strong domestic private demand and a decline in imports.
  - Prime Minister Suga and International Olympic Committee President Thomas Bach agreed to reschedule the Tokyo Olympics to July 23-August 7, 2021.





**This Week:**

- Corporate earnings are relatively sparse this week, with notable reports including, but not limited to: **Medtronic**, VMware, Autodesk, Dell Technologies, **Analog Devices**, Agilent Technologies, Compass Group, Best Buy, HP, Hormel Foods, Dollar Tree, Tiffany, Burlington Stores, Campbell Soup, Jacobs Engineering Group, J.M. Smucker, Gap, Eaton Vance, Pure Storage and Dick's Sporting Goods.
- U.S. Economic data:
  - Monday: Flash Manufacturing PMI, Flash Services PMI
  - Tuesday: FHFA House Price Index, Case-Shiller Home Price Index, Consumer Confidence
  - Wednesday: MBA Mortgage Purchase Applications, Core Durable Orders, Durable Orders ex transport, Durable Orders, GDP Chain Price (first revision), GDP (first revision), Wholesale Inventories, Core PCE, Michigan Consumer Sentiment (Final), Personal Spending, Personal Income, New Home Sales
  - Thursday: Average Weekly Earnings
  - Friday: Limited U.S. Economic Data
- U.S. markets will be closed all day Thursday in observance of Thanksgiving, and will close at 1PM Friday

Best wishes for an enjoyable and safe Thanksgiving. 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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