OBSERVATIONS

- COVID-19: COVID-19: Pfizer and BioNTech's joint vaccine candidate showed an effective rate of 90% in preventing COVID-19 in preliminary data from its late stage clinical trial.[1]
- Just two days prior to its proposed listing, Chinese regulators suspend Ant Group's IPO – in what would have been the largest IPO in history. The regulator seeks fundamental changes to the FinTech company's business model related to its lending practices.[1]
- No winner? No problem – S&P 500 posted its best first day after an election ever, gaining +2.20%, while closing up +7.3% on the week (more in one more thought).[1]
- The projected turnout of nearly 67% ranks 2020 as the largest turnout in presidential elections since 1900.[2]
- Commercial flights (rolling 7-day average) remain -40% below this time last year.[3]
- Retail consumer spending now +9.5% from the start of the year, contrasted with spending at restaurants and hotels which is now down -29.1% from the start of the year.[4]
- Federal Reserve keeps fed funds rate steady at the zero bound while maintaining its current pace of buying in treasuries and mortgage backed securities. The Fed's last meeting of 2020 will be 15 & 16-Dec.
- The value of negative yielding debt around the globe now exceeds $17.05 trillion – a new record high.[1]
- U.S. labor markets improved in October, beating expectations with +638k jobs added (vs. the median estimate of +580k). The unemployment rate declined to 6.9%, as compared to expectations of 7.6%. [5]
  - Private sector added +906k jobs, while government employment dropped by -268k.
  - Pre crisis employment (total nonfarm payrolls) stood at 152.5 million before declining to 130.3 million in April. With the addition October's 638k jobs, payrolls now stand at 142.4 million – nearly 10 million jobs below pre crisis levels.[5]

EXPECTATIONS

- 86% of S&P 500 companies that have reported Q3 earnings have beat expectations - led by Consumer Staples, Healthcare, and Industrials. Nearly 90% of S&P 500 companies have reported Q3 earnings.[6]
- Voters in Illinois rejected a constitutional amendment to revise how the state taxes income. Failure to pass the so-called "Fair Tax" amendment, increases the chances that Illinois, currently rated one notch above speculative grade by multiple credit-rating firms, could become the only U.S. state in junk-bond territory.
- The potential for D.C. gridlock, which likely now hinges on 2 senate seat run-off elections in Georgia, may bode well for markets.

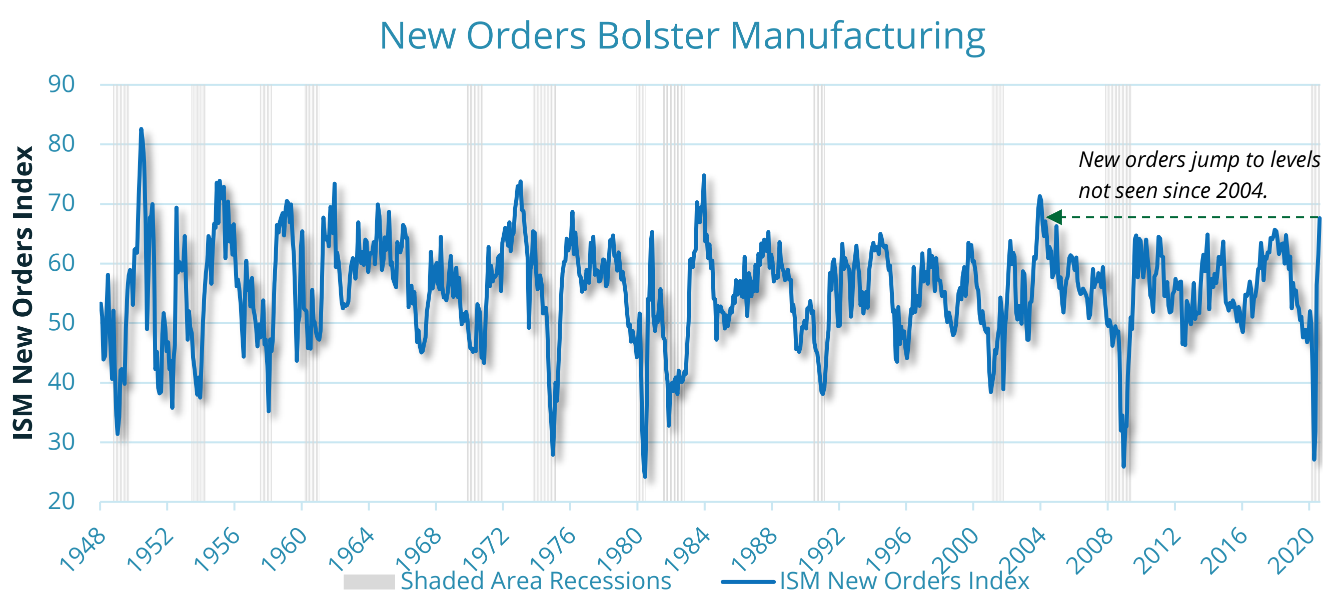
ONE MORE THOUGHT[1]

After declining -5.6% in the week before the elections (worst week since the week of 13-Mar), the S&P 500 gained +7.3% last week (best week since the week of 3-Apr). From 1990 to date, markets have rarely advanced by more than +5.0% or declined by more than -5.0% over a one-week period. There have been 63 such instances over this stretch, which amounts to an approximate 4% observation. That is, since 1990 only 4% of weekly S&P 500 returns have been above +5.0% or worse than -5.0%. Thus far in 2020, the S&P 500 has witnessed 8 weeks (including the past 2 weeks) where returns have exceeded those thresholds *(this year's 8 week observation ties with 2008 and 2009*

[1] Bloomberg
[2] http://www.electproject.org/national-1789-present
[3] h/t FT, https://www.flightradar24.com/data/statistics
[4] https://www.tracktherecovery.org/
[5] U.S. Bureau of Labor Statistics, Employment Situation Summary, 6-Nov
[6] Factset, Earnings Insight, 6-Nov, https://insight.factset.com/sp-500-earnings-season-update-november-6-2020

for having the most number of significant weekly moves - by this definition - since 1990). What does experiencing more volatility say about returns if anything? During years that experience no significant weekly moves, the median calendar year return is +13.7%, with the lowest return occurring in 1990 – losing -3.1% for the year. Intuitively, makes sense, low volatility is often associated with favorable economic and market conditions. In contrast, when the market experiences one or more of these significant weekly moves, the median calendar year return is +8.9%, with the worst year coming in 2008 – losing -37.0% on the year. **As of 6-Nov, the S&P 500 is up +10.3% YTD, with over 70% of those returns having occurred last week**. Perhaps the most difficult part for investors is seeing through the noise and avoiding the temptation of trying to time the market during these periods. While we expect volatility to ebb over the coming weeks as certainty enters the fold, we remind clients that it is best to control what you can (e.g. investment policies, taxes, estate planning etc.) and let the market do what it does best – be volatile.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, as of 4-Nov

Last week's data from the Institute for Supply Management (ISM) showed U.S. Manufacturing activity jumped to 59.3 in October, near a 2-year high and indicating continued economic expansion. Notably, new orders rose to near 17-year highs as consumers continue to spend on goods over services. Readings of this variety tend to be associated with non-recessionary periods.

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