

OBSERVATIONS

- COVID-19: U.S. reaches grim milestone last week as COVID related hospitalizations exceeds 60k.¹ The FDA gave emergency use authorization for Eli Lilly's monoclonal antibody drug (Bamlanivimab) for use in treating early stage COVID-19 patients 12 years of age or older and not yet hospitalized.²
- Pfizer's breakthrough vaccine's effectiveness of 90% places it in the same company as Chickenpox, Polio, and Whooping Cough vaccine effectiveness. For reference, influenza (flu) vaccine effectiveness has averaged 45% over the last 10 years.³
- Election tidbit: President-elect Biden won 477 counties representing nearly 70% of GDP, while President Trump 2,497 counties representing nearly 30% of GDP.⁴
- Data from ZipRecruiter shows an average of 10.8 million job openings posted online in the U.S., down -2% from pre pandemic levels.
- 10-yr U.S. treasury yields reached .98% on 11-Nov, the highest level since mid-March and the S&P 500 closed the week at a fresh all-time high – besting the record it set on 2-Sept.²
- First time claims for unemployment reached a new post-pandemic low with 709k filing claims. While the decline is directionally welcomed, 709k still exceeds any other pre-pandemic record - the largest of which occurred in October 1980, when 695k Americans filed.²

EXPECTATIONS

- The next significant date for the election process will be 8-Dec, 6 days before the electors meet. This marks the date by which all controversies must be resolved (known as the "Safe Harbor" deadline). This includes recounts and legal contests. *For more see our [One More Thought from 24-Aug.](#)*⁵
- Dallas Federal Reserve Bank President Kaplan noted the potential for a "couple of difficult quarters" in light of the resurgence of cases. Kaplan reiterated the need for further fiscal support.²
- This week we will see key economic data for October coming out of China including Fixed Asset Investment, Industrial Production, and Retail Sales, which is likely to signal whether China continues to buttress the global economy as the U.S. and Europe grapple with surging coronavirus cases.

ONE MORE THOUGHT⁶

Monday's positive developments related to Pfizer-BioNTech's vaccine candidate fueled a rotation, and a rally, across a variety of previously beaten down sectors and companies. A number of themes were evident as a result of those developments. In general, sectors associated with a prolonged path of the pandemic declined – so called "stay at home stocks", while so called "back to work" stocks saw significant gains. Aspects of these dynamics can be more broadly seen in value stocks performance vs. growth stocks (see chart of week). On Monday alone, the energy sector gained +13.8% and the financial sector gained +8.0%, while the information technology and consumer discretionary sectors lost -1.2% and -1.6%, respectively. Fixed income markets witnessed similar rotations, with high yield bonds gaining +1.1%, while U.S. Treasuries lost -.8%. Additionally, with near term rates anchored at or near zero, the back up in interest rates (the 10-yr yield has crept higher to mid-March levels), now has the yield curve

¹ The COVID Tracking Project, as of 13-Nov, <https://covidtracking.com/data/charts/us-currently-hospitalized>

² Bloomberg LP

³ Financial Times, CDC, NCBI, WHO, NHS, Deutsche Bank

⁴ The Brookings Institution, 10-Nov

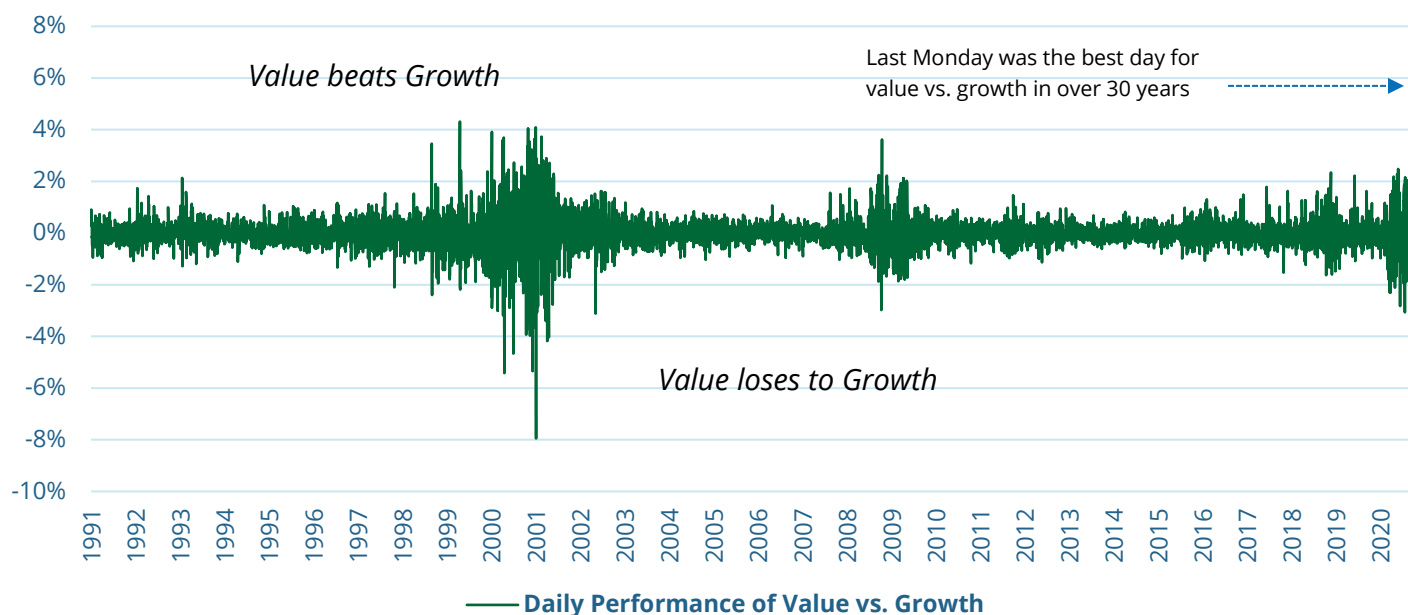
⁵ The Electoral College: A 2020 Presidential Election Timeline, 22-Oct, <https://crsreports.congress.gov/>

⁶ Sectors = Russell 1000 GICS sectors, High Yield = Bloomberg Barclays High Yield Index, U.S. Treasuries = Bloomberg Barclays U.S. Treasury Index, returns for 9-Nov, <https://news.gallup.com/poll/321839/readiness-covid-vaccine-falls-past-month.aspx>

(difference between 10-year yields and 2-year yields) at its steepest since February 2018. In addition to Pfizer, a number of clinical trials are ongoing and additional efficacy data are expected over the coming weeks and months. What remains to be seen is the full evaluation of clinical trial results and perhaps most importantly the extent to which people are willing to accept a vaccine (Gallup October poll shows only 50% of polled are willing to be vaccinated). While we do not question the response by markets, we would note that challenges likely remain.

CHART OF THE WEEK

Value Vs. Growth (1991-Present)



Source: Clearstead, Bloomberg, as of 9-Nov, Value = Russell 1000 Large Cap Value Index, Growth = Russell 1000 Large Cap Growth Index

Pfizer's vaccine announcement Monday helped spark a rally in many of sectors and companies that had been underperforming. The rotation led to a large rally in value stocks as compared to growth stocks. On Monday, the Russell 1000 Large Cap Value index posted gains of +4.14%, while the Russell 1000 Growth Index lost -1.84% leading to value beating growth by nearly +6.00%.

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