

OBSERVATIONS

- COVID-19: Cases surge; ICU usage approaches limits in many cities, while 47 of 50 states had at least 10% more new daily cases than the prior week, according to data from Johns Hopkins and the CDC.
- Moderna said its experimental coronavirus vaccine was 94.5% effective at protecting people from COVID-19, the second vaccine to hit a key milestone in U.S. testing. Together with the Pfizer/BioNTech vaccine, which is more than 90% effective, the U.S. could have two vaccines authorized for emergency use in December.¹
- Walmart said it would resume counting and restricting the number of customers in stores to ensure capacity limits are not exceeded. Some grocers, including Kroger, Wegmans and Publix, have reinstated purchasing limits on toilet paper, disinfecting spray and hand sanitizer.²
- China and 14 Asia-Pacific countries signed the RCEP (Regional Comprehensive Economic Partnership) trade deal last week, which represents the largest regional trade deal ever signed - covering nearly 30% of the world's population and output.³
- U.S. retail sales increased less than expected in October and could slow further, restrained by spiraling new Covid-19 infections, additional restrictions, and declining household incomes as millions of unemployed Americans lose government financial support (see One More Thought).¹
- The Chinese economy grinds higher - In October, Chinese Industrial Production (+6.9% YoY) and Fixed Asset Investment (+6.3% YoY) beat expectations and showed a further increase over September's gains, while Retail Sales (+4.3% YoY) also beat the gains registered last month.⁴
- U.S. housing starts in October were up +4.9% from September and +14.9% from October-2019.¹

EXPECTATIONS

- Washington remains gridlocked on the size and scope of any further fiscal stimulus plan to buttress the economy in 2021. As such, fiscal intransigence remains a core risk for capital markets, especially since it is unlikely that private investment will be able to provide a "reflationary bridge" for long.
- China sold its first negative yielding government bond. The 5-year Euro denominated bonds were priced to yield -0.152%, attracting buyers as comparable German 5-year bonds were yielding -.75% mid-last week.⁵ As we had previously noted ([chart of the week from 26-Oct](#)), there is roughly \$17trn of negative yielding debt globally and this number could continue to grow in H1-2021.¹
- The Euro area is now projected to contract in Q4, as a result of the recent second wave in COVID-19 cases and the associated lockdown measures to suppress its spread. Without additional fiscal support, a Q4 contraction in activity could morph into a two-quarter double-dip recession.⁶

ONE MORE THOUGHT⁷

When reading the fine print of one's utility bill you sometimes find some interesting information. One interesting example comes from an electric utility notice which read, "Service disconnection and collection activities have resumed for [Midwest state] customers on October 5, 2020." As our elected leaders in Washington continue to

¹ Bloomberg LP

² CNBC

³ <https://www.brookings.edu/blog/order-from-chaos/2020/11/16/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics/>

⁴ Marketwatch.com, Bloomberg LP

⁵ WSJ, 19-Nov

⁶ Reuters Eurozone economic outlook poll, <https://www.reuters.com/article/us-eurozone-economy-poll-idUSKBN27Y00H>

⁷ <http://www.crfb.org/blogs/upcoming-congressional-fiscal-policy-deadlines>, Politico.com, marketwatch.com,

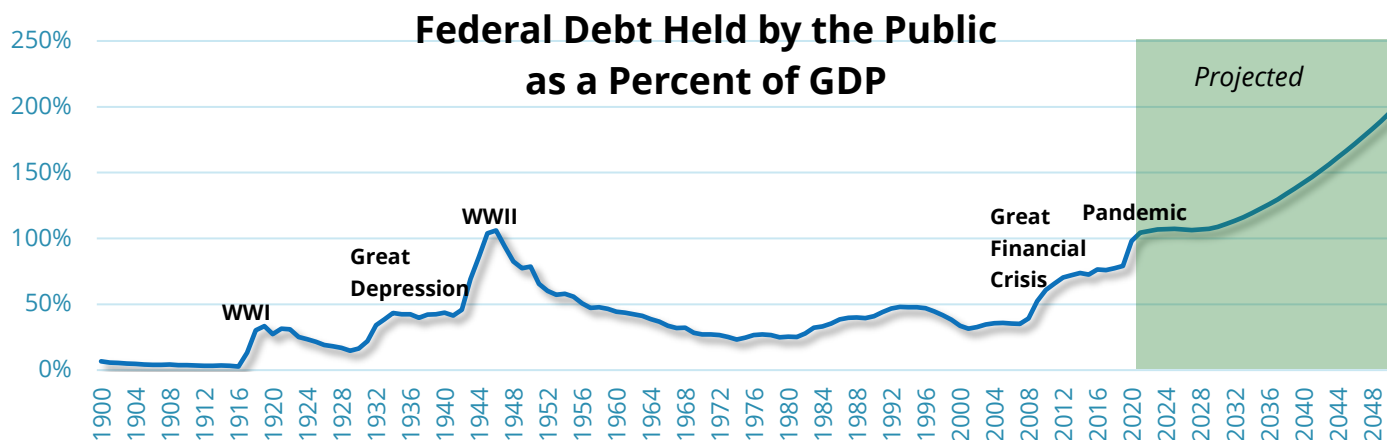
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200728a.htm>

debate the merits of a fiscal stimulus package, this electric utility reminds those who have been unable to pay their bills to not only pay this month's bill but all past due bills or "... your service may be terminated for non-payment." Clearly, electric utilities are not the only entities that will be demanding payment and a significant year-end cliff lay ahead as many programs under the CARES Act are set to expire by Dec 31, 2020, including:

- Eviction moratoriums for certain renters
- Mortgage forbearance and foreclosure moratoriums for certain homeowners
- Unemployment benefits for contractors, gig workers, self employed
- Paid time off for employees dealing with pandemic related childcare challenges
- Deferment on federal student loans
- Additionally, 8 of the 9 lending programs launched by the Federal Reserve amidst the crisis are set to expire at year end, with the final program expected to sunset in March of 2021.

We have had some wonderful news concerning a COVID-19 vaccine, but millions of Americans remain unemployed, past due bills are stacking up and vendors (i.e. landlords/utilities/credit card companies/etc.) look to be paid for services rendered; all this is happening while Washington fiddles.

CHART OF THE WEEK



Source: Clearstead, Congressional Budget Office (CBO)

According to the Institute of International Finance (IIF), global debt is expected to reach a record \$277trn by the end of the year. In the U.S., the CBO projects the total debt (held by the public) to approach 200% of GDP by 2050.

Carl Tippit, CFA
Head of Investments
Clearstead

Aneet Deshpande, CFA
Chief Strategist
Clearstead

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