

OBSERVATIONS

- COVID-19: The U.K. becomes the first to authorize the Pfizer/BioNTech Vaccine for emergency use. The FDA is set to review the Pfizer/BioNTech and Moderna applications for emergency use this week amidst a backdrop of hospitalizations having passed 100k people in the U.S.
- Illinois announced plans to borrow an additional \$2bn from the Federal Reserve's Municipal Liquidity Facility. This would mark the 2nd time the state has used the facility, the first of which was for \$1.2bn. Illinois is the only state to have used the Fed's facility, which is set to expire 31-Dec.¹
- S&P Global agreed to acquire IHS Markit in what becomes the largest deal of the year (\$44.4bn deal).²
- The industrial metal copper closes out its 8th consecutive monthly gain in November – longest winning streak since 2011 and has gained nearly 70% since the March lows.¹
- Another record for housing – Average new home purchase loan amount rises to \$375k, the most since the Mortgage Bankers Survey inception of 1990.³
- The Institute for Supply Management's (ISM) Manufacturing PMI index showed November activity declined marginally from October, however at 57.5, it has posted 7 consecutive months of economic expansion.
 - Employment proved to be the one soft spot from the November report, with the employment index declining from 53.2 in October to 48.4 in November (readings below 50 indicate contraction).
- Employment report – Nonfarm payrolls increased by 245k during November, short of estimates of 460k and the unemployment rate declined to 6.7% from October's 6.9% reading.⁴
 - Nearly 37% of unemployed now fall into the long-term unemployed bucket – those jobless for more than 27 weeks.⁴
- Strengthening credit market and economic conditions helped monthly U.S. bankruptcy filings decline to 2020 lows in November. In total, 11 companies filed for Chapter 11 or 7 during the month. This compares to nearly 3 times that figure during July, which represented this year's peak of monthly filings.⁵

EXPECTATIONS

- Both Republicans and Democrats are signaling that a bipartisan \$908 billion stimulus package can be the basis of renewed negotiations to re-stimulate the US economy; the chances of passage before the year end appear to be rising.
- The U.S. House of representatives passed a bill—similar to a Senate bill from earlier this year—requiring Chinese firms listed in the U.S. to allow U.S. authorities to inspect their accounting practices. Non-compliance for three years could result in the de-listing of Chinese ADR shares from U.S. exchanges; however, the SEC and Chinese counterparts are discussing audit procedures that could allow for compliance by the majority of Chinese firms listed in the U.S.

ONE MORE THOUGHT¹

A November to remember, elections and vaccines. The Dow Jones Industrial Average (*full disclosure: yes, this is perhaps a relic of a benchmark, and is price weighted but has existed since 1896 – so helps with longer historical market context*) just experienced its best presidential-election November since 1928. Only the presidential-election

¹ Bloomberg LP

² WSJ

³ <https://www.mba.org/2020-press-releases/december/mortgage-applications-decrease-in-latest-mba-weekly-survey>

⁴ U.S. Bureau of Labor Statistics Employment Situation Summary, as of 4-Dec-20

⁵ Bloomberg LP, Bankruptcy filings for public and private companies with liabilities of greater than \$50 million

Novembers of 1900 (McKinley), 1904 (T. Roosevelt), and 1928 (Hoover) were better. Looking at other well-known benchmarks, the S&P 500 now sits at all-time highs along with the Russell 2000. The S&P 500 just posted its best month since 1928 after gaining +10.9%, while the Russell 2000 (small cap stocks) had its best month ever after climbing +18.4%! Value stocks (Russell 1000 Value Index) and Global Stocks (MSCI World Index) both experienced their 2nd best months ever after returning +13.5% and +12.8%, respectively. Continued positive vaccine developments extended the trend that we noted in our [16-Nov 'One More Thought'](#) as many of the asset classes and companies that benefit from a post-pandemic cyclical recovery rallied. For December, we would highlight two key events that may motivate markets one way or the other. First, key FDA proceedings are set to take place in mid-Dec with Moderna and Pfizer's vaccine applications for emergency use authorization (EUA) to be reviewed – approval is expected shortly thereafter. Lastly, the stimulus impasse appears to be closing in on resolution as political pressure mounts.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, as of 1-Dec

November's rally in equity markets was coincident with declines in equity market volatility, which now stands at (or near) the long-term average and at the lowest level since before the crisis.

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