

OBSERVATIONS

- COVID-19: Daily cases in the U.S. reach 202,158, hospitalizations at 101,659, and daily deaths hit 2,225 (all 7-day moving average) – a new record for all three metrics. FDA's Advisory Committee voted 17-4 in favor of authorizing Pfizer/BioNTech vaccine for emergency use.¹
- 'Superforecast' assigns probability of having 200 million Americans vaccinated by September 2021 at 93%.²
- Tesla intends to raise an additional \$5bn through stock sales bringing its total cash on hand to nearly \$20bn – that would be more than 88% of companies in the S&P 500 have on hand.³
- IPO Mania: DoorDash and Airbnb initial public offerings met with significant demand. As of 10-Dec, DoorDash had a market value of \$59.1bn, while Airbnb's value reached \$86.5bn (giving Airbnb a value near the combined value of Hilton and Marriott).³
- Among the worst hit cities, San Francisco has now seen the median rent for a studio apartment decline by 35% from one year ago, while median rent for apartments in Manhattan are down 22% from a year ago.³
 - Relatedly, Hewlett Packard and Oracle join Palantir and Charles Schwab in relocating out of California to lower cost states. Elon Musk personally moves to Texas from California.³
- New low for the 30-yr fixed mortgage of 2.90% sparks additional refinance activity. Refinance activity is nearly 90% higher than a year ago.⁴
- Record breaking bond issuance in Europe: YTD issuance (across all sectors) has surpassed €1.7tn, an all-time high and nearly €400bn more than 2019.³
 - The European Central Bank (ECB) increases bond buying capacity in its quantitative easing program by €500bn on 10-Dec.³
 - By the end of next year, the ECB is expected to own 43% of all German government bonds.³
- Jobless claims unexpectedly rose to 853k, up from the prior week's 716k bringing the 4-week moving average to 776k – the highest level since the week of 30-Oct.³

EXPECTATIONS

- Since 1945, the S&P 500 has enjoyed an average monthly return of +2.21% in the month of December. It is the strongest month of the year with April coming in 2nd with an average gain of +1.72%.³
- Earnings for the S&P 500 are expected to increase by +21.7% in 2021 with revenue growth of +7.7%. The level of earnings – if analysts are correct – would be a new record for the index.⁵
- Goldman Sachs now expects 2021 GDP growth of +5.3% driven by a rebound in the services sector.⁶

ONE MORE THOUGHT - *Brexit Drama Nears its Finale*

The talks between the UK and the EU to finalize the terms of trade between them grind-on as the UK prepares to formally leave the EU for trade purposes on 31-December-2020. The UK left the EU at the end of last year in terms of political participation in EU governing bodies and its political arrangement. However, the UK continued to be part of the EU common market—which governs the terms of trade for goods and services—on an interim basis until the end of this year. It was anticipated that during this transition year the UK and EU would come to a formal trade deal

¹ <https://covidtracking.com/data>, as of 9-Dec, CNBC

² <https://goodjudgment.io/economist/>, as of 10-Dec

³ Bloomberg LP

⁴ <https://www.mba.org/2020-press-releases/december/mortgage-applications-decrease-in-latest-mba-weekly-survey-x274321>

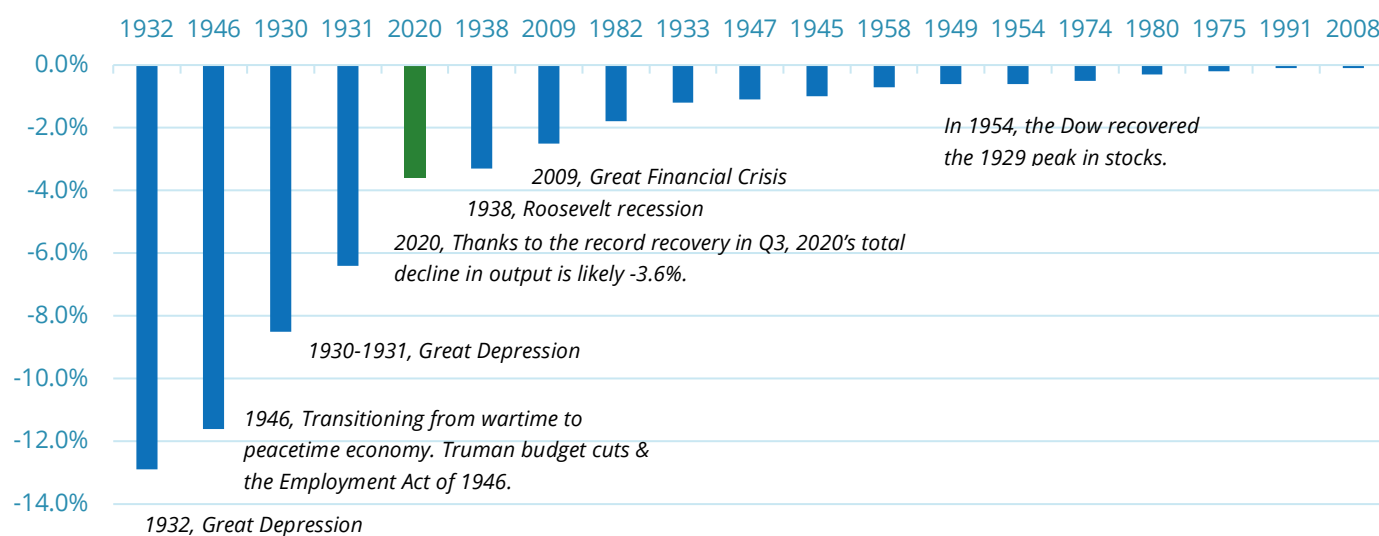
⁵ Factset Earnings Insight, as of 4-Dec

⁶ CNBC, Goldman Sachs

that would govern their trade relations from 1-January-2021 and beyond. However, issues over EU fisherman access to UK fishing waters as well as the potential for the UK to reduce labor and environmental standards to give their exporters a competitive advantage have made the trade talks contentious. Last week UK Prime Minister Boris Johnson and EU Commission President Ursula von der Leyen had a high-level dinner to restart talks that had broken down in recent weeks and both parties agreed to continue talks beyond this past weekend's negotiation deadline. Most Brexit watchers opine that a "no deal" outcome is a real possibility. Despite the number of outstanding issues narrowing substantially from earlier this year and a number of tentative side-agreements covering non-contentious issues, both sides are reluctant to concede much further at this point. A no deal scenario would leave the UK terms of trade to be governed by general WTO provisions, not a terrible outcome for the UK economy, but as all negotiators know—nothing is agreed to until everything is agreed to which leaves the UK economy in a tough spot.

CHART OF THE WEEK

Contractions in GDP by Calendar Year, 1930-2020



Source: Bloomberg LP, Clearstead, 2020 Real GDP estimates assumes a Q4 2020 GDP increase of +2.8% (Quarterly, SAAR) from the Conference Board Economic Forecasts for the U.S. Economy, as of 9-Dec.

The recession of 2020 will have been associated with a contraction in the economy of -3.6%, ranking it as the 5th worst calendar year on record. The sharp recovery during the 3rd quarter – in which GDP increased by 33.1% (quarterly annualized) – played a significant role in shaping how the country's output for 2020 has recovered.

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