

OBSERVATIONS

- COVID-19: FDA approves Abbott Lab's at-home rapid COVID-19 test (known as BinaxNOW). Abbott's test becomes the 3rd test which has been authorized for at-home use and the company expects to deliver 120 million tests in the first half of 2021.¹ Moderna's vaccine received unanimous approval for emergency use.²
- The U.S dollar reaches the lows for the year on 15-Dec and is back to levels last seen in April 2018.²
- Signs of exuberance:
 - Bloomberg and Schwab note that call option volume for stocks (i.e., bets on markets going higher) has reached the highest since the data has been tracked, in 1992.³
 - The average first day return for an initial public offering of an operating company has been nearly 40% in 2020 – the 3rd largest first day gain ever, behind 1999 & 2000.²
 - Google search trends top searched phrase that included the words "...during coronavirus" was "best stocks to buy during coronavirus".⁴
- The U.S. is expected to see 19 gigawatts (GW) of new solar energy capacity installed in 2020 alone – a new yearly record. Fun facts: 1 GW can power 110 million LEDs and is equivalent to 2,000 Corvettes.⁵
- Vanguard's Total Stock Market Index fund (mutual fund and ETF) surpasses \$1tn in assets, a first for the fund industry.²
- In what was the Federal Reserve's final meeting of 2020 last week, the committee voted to maintain the current bond buying program of at least \$120bn per month. The fed fund's rate was kept near zero where it is projected to remain through at least 2023.²
 - Other projections are for GDP to grow by +4.2% in 2021 with unemployment falling to 5.0%.²
- Following results of the Federal Reserve's stress test of banks last Friday, banks will be allowed to resume share buybacks (to certain limits) while dividend payouts continue to be capped.²

EXPECTATIONS

- Congress agrees to a \$900bn stimulus package after working through differences over the weekend.
- Virus strains (such as those mutations reported in the UK) may illicit draconian measures by governments, which could result in additional market volatility.
- Initial jobless claims reached a 3-month high last week with **885k** filing for unemployment benefits. The weakening employment backdrop - coincident with slower retail sales (chart of the week) - highlight the slowing pace of the recovery in recent weeks. Some context is important here, as it relates to the economy and not necessarily markets, the largest weekly unemployment claims data we witnessed pre-COVID was during the 1981-1982 recession when claims reached **695k**.²

ONE MORE THOUGHT

With the electoral college voting complete, here is what is next. All electoral ballots must be received by the president of the Senate (VP Pence) by 23-Dec. The new Congress will be seated on 3-Jan and on 5-Jan, Georgia will hold senate runoff elections. Our base case is for Republicans to retain one, if not both seats, thus maintaining

¹ <https://abbott.mediaroom.com/2020-12-16-Abbotts-BinaxNOW-COVID-19-Rapid-Test-Receives-FDA-Emergency-Use-Authorization-for-First-Virtually-Guided-At-Home-Rapid-Test-Using-eMeds-Digital-Health-Platform>

² Bloomberg

³ Bloomberg, Charles Schwab

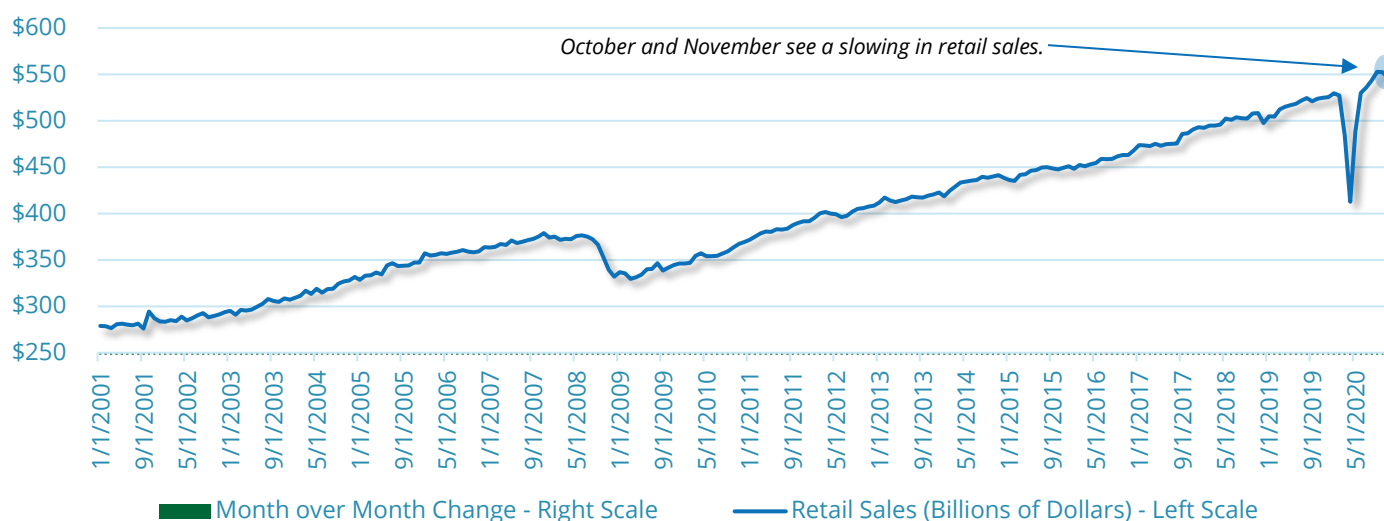
⁴ Search Engine Journal, "Google Reveals Top Searches of 2020", 9-Dec

⁵ <https://www.woodmac.com/research/products/power-and-renewables/us-solar-market-insight/>, <https://www.energy.gov/eere/articles/how-much-power-1-gigawatt>

Senate majority of either 52-48 or 51-49. All eyes then turn to the next date of significance, 6-Jan. On this day, the House and Senate meet jointly and count the electoral votes (306 to Biden and 232 to Trump). Members of Congress may object to a state's votes as they are counted and, subject to certain requirements, each chamber would then debate the objection and then vote to reject or accept the rejection. Objections must be approved by both the House and Senate in order for contested votes to be excluded. Given the current, and expected, split in control between the House and Senate, attaining approval from both houses for an objection is not likely. Inauguration day is 20-Jan.

CHART OF THE WEEK

Retail Sales Slow in November



Source: Bloomberg LP, Clearstead

Data last week showed aggregate retail sales declined -1.08% in November (MoM), marking the 2nd consecutive monthly decline. Spending, by this measure, has declined -1.13% since reaching peak in September.

Research Corner will take a break on 28-Dec and resume on 4-Jan. We wish you all a Happy Holidays and Happy New Year!

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