Cornerstone Wealth Partners
336.283.2890 | www.cswealthpartners.com
Country Club Commons
4622 Country Club Road, Suite 200
Winston-Salem, North Carolina 27104

December 2020

Market Update
(all values as of 11.30.2020)

Stock Indices:

Dow Jones	29,638
S&P 500	3,621
Nasdaq	12,198

Bond Sector Yields:

2 Yr Treasury	0.16%
10 Yr Treasury	0.84%
10 Yr Municipal	0.71%
High Yield	4.79%

YTD Market Returns:

Dow Jones	3.86%
S&P 500	12.10%
Nasdaq	35.96%
MSCI-EAFE	0.83%
MSCI-Europe	-1.42%
MSCI-Pacific	4.67%
MSCI-Emg Mkt	8.11%
US Agg Bond	7.36%
US Corp Bond	9.41%
US Gov't Bond	8.83%

Commodity Prices:

Gold	1,780
Silver	22.72
Oil (WTI)	45.06

Currencies:

Dollar / Euro	1.19
Dollar / Pound	1.33
Yen / Dollar	104.06
Dollar / Canadian	0.76

Macro Overview

Equity markets responded positively to news that the availability of vaccinations was imminently close. Major equity indices reached new highs in November as elements of uncertainty eased with promising vaccine trials and finalized election results. With the election behind us, attention now turns back to the pandemic and its ongoing effects on the U.S. and international economies.

A lingering stimulus "cliff" has left millions of Americans in a quandary, as members of Congress failed to produce and pass a stimulus plan in order to provide essential benefit payments to struggling families. The hold up in extending existing benefits as well as establishing new benefits, is expected to be resolved by year end and effective early 2021.

Industries that saw the biggest job gains in November were also the same industries that lost the most jobs during the onset of the pandemic. Positions experiencing the largest gains are retailers, food services, and hospitality, which are also expecting to have the greatest challenges over the next few months.

The Center for Disease Control (CDC) as well as various health organizations estimate that the first COVID-19 vaccines will be available as early as mid-December in the United States. High risk individuals, including first responders and hospital workers will be among the first to receive vaccinations.

The anticipated disbursement of vaccines, which are expected in early 2021, are presumed to boost consumer sentiment and social mobility throughout the country. The widespread availability of COVID-19 vaccines, possibly from various pharmaceutical companies, are also projected to expand economic growth estimates.

What To Expect In 2021

1	Social Security COLA	1.3%
2	RMDs For IRAs Resume	
3	Standard Deduction Married	$25,100
4	Standard Deduction Single	$12,550
5	Standard Deduction Head of Household	$18,800

Elevated unemployment continues to persist as large and small employers have scaled back on hiring and wages, creating ongoing frustrations for millions of unemployed workers nationwide. Fraudulent unemployment claims have become a growing issue, as the pandemic has lowered barriers to applying for and accessing benefit payments.

Absent any fiscal stimulus or year end pandemic relief funds, it is expected that the Federal Reserve will provide any essential stimulus by way of bond purchases. The Fed's ambitious purchases of long-term bonds has kept long term rates low, helping to buoy consumer credit and the housing market.(Sources: Federal Reserve, CDC, BLS, Dept of Labor, IRS, Social Security Admin.)

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ONLINE SALES HAVE EXCEEDED 14% OF TOTAL RETAIL SALES

Markets Head Higher In November – Equity Market Overview

The combination of a finalized election, effective vaccine trials, and positive earnings from various sectors, drove equity indices higher in November.

Analysts expect upcoming additions to the S&P 500 Index to produce added volatility with the index, creating demand for customized indexing, also known as direct indexing.

The rise of copper prices to a six-year high is an indication for market analysts that a global economic expansion may be in the making. Copper is a primary metal used worldwide in manufacturing, electronics, buildings, and infrastructure.

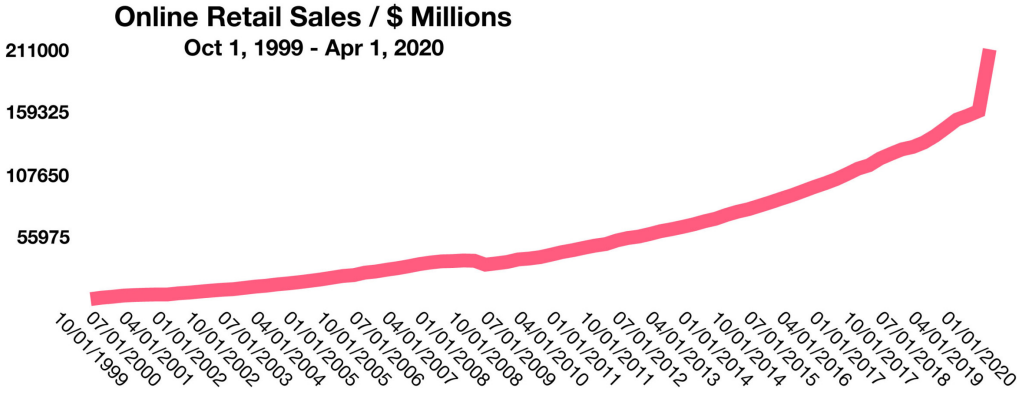
The Dow Jones Industrial Index reached the milestone mark of 30,000 in late November, bringing the index to new all time highs. The S&P 500 Index as well as the Nasdaq also saw higher levels in November, primarily driven by optimism surrounding promising vaccines. (Sources: Bloomberg, S&P, Nasdaq, Dow Jones)

Rates Rise Slightly In November – Fixed Income Update

Rates rose slightly in November, with the benchmark 10-year Treasury bond yield approaching levels not seen in nearly six months. As the yield on the 10-year Treasury neared 1%, fixed income markets embraced for potentially higher bond yields, which also means potentially lower bond prices. Historically low mortgage rates continue to bolster the housing market with record refis and purchases anticipated to continue through year end. (Source: U.S. Treasury)

Online Sales Have Increased During Pandemic – Consumer Behavior

Ever since the internet brought about the ability to shop from home, online sales have been steadily increasing for the past two decades. Thus far this year, online sales have exceeded 14% of total retail sales, more than the 8.6% average over the preceding five years. The growth with online sales this year has been primarily driven by the pandemic, which has forced consumers out of retail stores and onto their computers.



Consumers are expected to resume spending patterns when retailers slowly start to reopen as the pandemic diminishes. Even as consumers return to retail stores, some analysts expect online sales to gradually continue rising. The ease and feasibility of online shopping became commonplace for consumers this year, entrenching many with new shopping habits. (Source: Federal Reserve)

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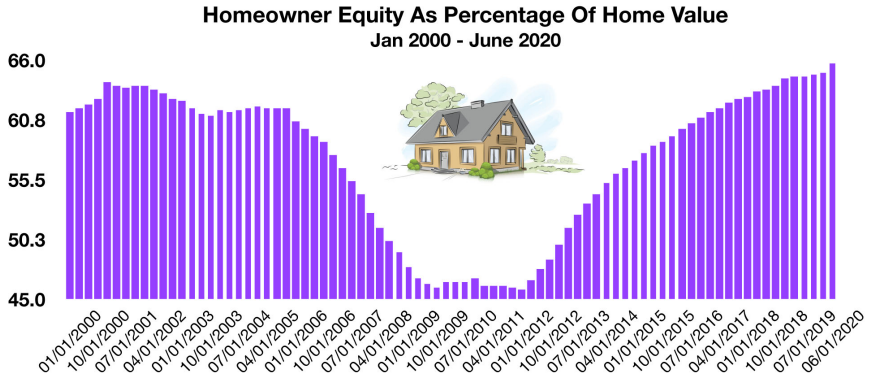
THE U-6 RATE IS 12.1%, NEARLY DOUBLE OF THE TRADITIONAL U-3 RATE

Homeowner Equity Reaches New Highs – Housing Market Update

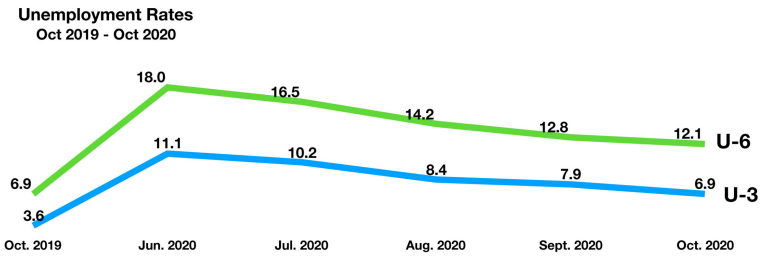
Homeowner equity as a percentage of home values reached an all time high in the 2nd quarter of 2020, surpassing the most recent previous highs in 2001. Federal Reserve data revealed that homeowners had achieved over 65.5% equity in their homes, a level not reached since the early 2000's. Low interest rates have enabled mortgage holders to pay down their mortgage balances rapidly over the past twenty years, concurrently adding to their overall net worth. Homes rank as the single largest asset held by households nationwide.



The high levels of equity has allowed some homeowners to borrow against their homes, enhancing household spending power even during elevated unemployment and lower wages. The concern among many economists and market analysts is the rising level of leverage and the payments required on new home equity lines of credit (HELOC). (Source: Federal Reserve)

True Unemployment – Labor Market Overview

A closely followed economic statistic by economists and market analysts is the unemployment rate. In fact, the Department of Labor has numerous levels of unemployment rates that it compiles and reports. Of the various rates, the U-3 is known as the traditional or official rate, which came in at 6.9% for its most recent release. The U-3 rate is considered incomplete and inaccurate by many economists and analysts, since it only accounts for people actively seeking employment. Another available level of the unemployment rate is the U-6 rate, which is considered the true rate for unemployment. In addition to those people seeking employment, the U-6 rate also includes part time workers, underemployed workers, and discouraged workers. The U-6 rate is considered a more accurate assessment of the labor market and a true measure of unemployment. The most recent release for the U-6 rate is 12.1%, nearly double of the traditional U-3 rate. (Source: Bureau of Labor Statistics)



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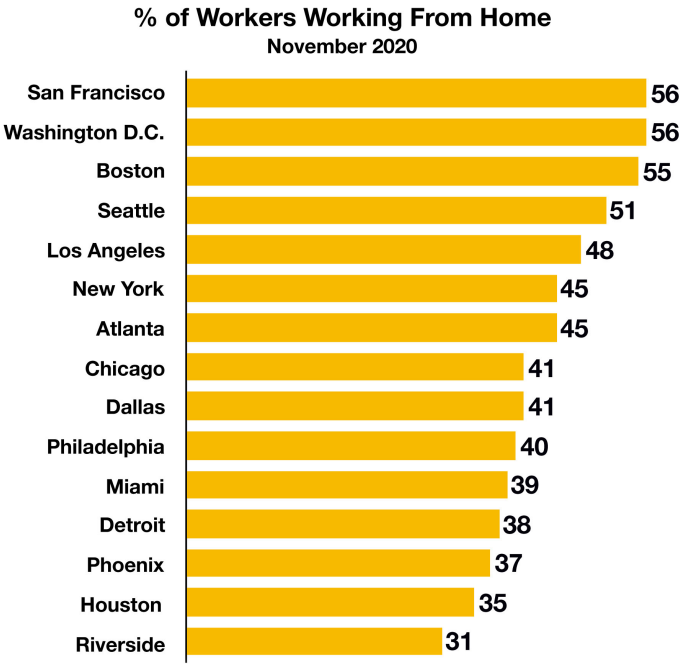
MEDICARE OPEN ENROLLMENT FOR 2021 IS NOVEMBER 1, 2020 TO DECEMBER 15, 2020

Nearly Half of U.S. Labor Force Is Working From Home – Employment Trends

As workers vacated entire office buildings and left conference rooms unoccupied, the pandemic work culture began to evolve. Hundreds of thousands of workers migrated home to establish a new work environment worthy of shorts and sweats, yet no mask. Most have embraced the work from home culture as a necessity but quite possibly as a new norm as well.

Income and industry have been enormous determinants of which workers have had the privilege of working remotely. Recent data gathered by the U.S. Labor Department identified that higher wage earners and technology slated jobs garnered the most at home positions.

Cities with larger concentrations of technology based jobs, such as San Francisco and Boston, are experiencing the largest amount of work at home positions. Concurrently, cities with greater labor intensive industries such as Riverside and Houston have less home office opportunities. (Source: U.S. Census Bureau, Household Pulse Survey)



Medicare Coverage Heading Into 2021 – Retirement Planning

With open enrollment upon us, millions of Americans will be deciding on which, if any, changes to make to their Medicare coverage. The Open Enrollment Period for 2021 coverage is from November 1, 2020 to December 15, 2020. Coverage for any changes or a new plan begins January 1, 2021.

Since Medicare doesn't cover all medical expenses, the decision to buy supplemental insurance coverage or to obtain a Medicare Advantage Plan is important for millions of Medicare recipients.

Medicare Advantage Plans allow a recipient to get both Medicare Part A and Part B coverage. Medicare Advantage Plans are sometimes called Part C or MA Plans, and are offered by Medicare-approved private companies.

Medicare Supplemental Insurance or Medigap helps pay for gaps in coverage not paid for by Medicare. Even though Medicare does pay for many procedures and services, some remaining expenses such as copayments, coinsurance, and deductibles are covered by supplemental plans. Some Medigap policies also cover services that are not covered at all by Medicare, such as coverage while traveling abroad. So it's worth shopping and determining what expenses are covered by the various supplemental insurance policies. (Source: medicare.gov)