

Market Insights - December 5, 2020

U.S. STOCK MARKETS SET NEW ALL-TIME HIGHS, DRIVEN BY POSITIVE COVID VACCINE NEWS AND HOPES FOR ANOTHER STIMULUS PACKAGE

- The four major U.S. stock market indices each set new historic highs, as more positive COVID-vaccine news was announced and a bi-partisan stimulus package was proposed
- The tech-laden NASDAQ was the week's leader, with a gain of 2.1%, followed closely behind by the 2.0% gain in the small-cap Russell 2000, the 1.7% gain for the S&P 500 and the 1.0% gain for the DJIA
- The majority of the S&P 500 sectors rose on the week, with Energy leading the way with a gain of 4.5%, while the Utilities sector lost the most with a decline of 2.2%
- Wall Street cheered news from Moderna that its vaccine had an effective rate of 94.1% and was 100% effective in protecting against serious complications
- A bi-partisan group of lawmakers unveiled a \$908 billion stimulus bill that is likely too rich for Republicans and not enough for Democrats, but there were hopes that it was a good starting point
- The November employment report was mixed as it highlighted lower jobs growth
- The 10-year Treasury yield jumped 12 basis points to 0.97%
- The U.S. Dollar weakened by 1% to reach its lowest level since the spring of 2018

Weekly Market Update – December 4, 2020

	Close	Week	YTD
DJIA	30,218	1.0%	5.9%
S&P 500	3,699	1.7%	14.5%
NASDAQ	12,464	2.1%	38.9%
Russell 2000	1,892	2.0%	13.5%
MSCI EAFE	2,101	1.6%	3.2%
Bond Index*	2,383.12	0.05%	7.11%
10-Year Treasury	0.97%	0.12%	-1.0%

*Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results

U.S. Stock Markets Reach New Highs

U.S. stocks closed out the month of November by setting records and continued their winning ways for the remainder of the week, with the four major U.S. equity indices hitting new intraday highs by Friday.

At the beginning of the week, the DJIA closed out November with its best monthly performance since 1987 and the smaller-cap Russell 2000 one-upped the DJIA and turned in its best monthly gain ever, as it leapt over 18% for the month. And Monday was a down day too.

On Tuesday, momentum turned around, when Pfizer and BioNTech applied to the EU regulators for emergency use of their vaccine, which was approved two days later. Pfizer and BioNTech also announced that they would deliver 50 million doses this year and 1.3 billion next year. Moderna also requested emergency use for its vaccine from both the EU and U.S. regulators this week.

Also on Tuesday, a bipartisan group of U.S. senators proposed a \$908 billion COVID-relief stimulus package and Wall Street seemed hopeful that a package would indeed be passed sooner rather than later.

Then almost as if to underscore the need for another stimulus package, it was reported that the U.S. added only 245,000 jobs in November, which was far below expectations and slower than most anticipated. While it is true that the unemployment rate declined from 6.9% to 6.7%, the participation rate also declined, indicating that more people simply left the work force.

Markets Close Out November by Setting Records

Global equity markets reversed the negative numbers from each of the past two months on the way to establishing lots of stock-market records in November as:

- The DJIA finished November up 11.8%;
- The S&P 500 finished November up 10.8%;
- NASDAQ finished November up 11.8%; and
- The Russell 2000 finished November up 18.3%.

Here are the records that were achieved with November's performance:

- The DJIA turned in its best monthly gain since January 1987, its best November since 1928 and crossed that purely-psychological threshold of 30,000 points for the first time ever.
- The S&P 500 turned in its best monthly gain since April and its best November since 1928.
- NASDAQ turned in its best monthly gain since April and its best November since 2001.
- The Russell 2000 finished November up 18.3% for its best monthly gain ever.

Job Growth Slows

The U.S. Bureau of Labor Statistics released the Employment Situation Summary on Friday morning and showed that total nonfarm payroll employment rose by 245,000 in November and the unemployment rate edged down to 6.7%.

Further:

"These improvements in the labor market reflect the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic and efforts to contain it. However, the pace of improvement in the labor market has moderated in recent months. In November, notable job gains occurred in transportation and warehousing, professional and business services, and health care. Employment declined in government and retail trade."

Expectations were that the monthly jobs growth number would be about double where it ended.

Private Sector Employment Rises in November

The ADP National Employment Report is published monthly by the ADP Research Institute in close collaboration with Moody's Analytics and provides a monthly snapshot of U.S. nonfarm private sector Employment based on actual transactional payroll data.

From the release dated December 2nd, private sector employment increased by 307,000 jobs from October to November, which is the seventh consecutive month of job growth in the private sector.

While job growth remained positive across all industries and sizes, medium-sized businesses gained more.

• Small Businesses	110,000
○ 1-19 employees	60,000
○ 20-49 employees	50,000
• Medium Businesses:	139,000
○ 50-499 employees	139,000
• Large Businesses:	58,000
○ 500-999 employees	45,000
○ 1,000+ employees	13,000

Sources; adpemploymentreport.com bls.gov; msci.com; factset.com; fidelity.com; Nasdaq.com; wsj.com; Morningstar.com