

TMB Financial Solutions

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Market Week: November 23, 2020



The Markets (as of market close November 20, 2020)

Last week began with more good news on another COVID-19 vaccine, sparking a rally in domestic and global stocks. The Dow set a record as it neared the 30,000 mark, with cyclicals and small caps advancing on hopes of a speedier economic recovery. The Russell 2000 and the Global Dow each gained more than 2.0%, while both the Dow and the S&P 500 added more than 1.0%. The Nasdaq advanced 0.8%. Among the market sectors, energy, financials, and industrials surged. Crude oil prices and Treasury yields climbed, while the dollar slipped.

Stocks closed lower last Tuesday, paring record-high gains from the previous day. Only the Russell 2000 (0.4%) and the Global Dow (0.1%) advanced. The Dow (-0.6%), the S&P 500 (-0.5%), and the Nasdaq (-0.2%) lost value. Treasury bond prices climbed, sending yields lower. Crude oil prices rose, while the dollar fell. A surge in COVID-19 cases and hospitalizations overshadowed encouraging vaccine developments. In response to elevated virus numbers, several states imposed new restrictions on gatherings. Federal Reserve Chair Jerome Powell said last Tuesday that the rising number of COVID-19 cases is a big concern, and the economy will need additional fiscal and monetary policy support. Among the major market sectors, only energy and real estate posted gains.

Last Wednesday, new COVID-19-related restrictions aimed at slowing the spread of the virus eclipsed news that progress is speeding up on a vaccine. The Russell 2000 fell 1.3%, followed by the Dow and the S&P 500, each of which dropped 1.2%. The Nasdaq lost 0.8% and the Global Dow dipped 0.5%. Treasury yields and crude oil prices climbed, while the dollar approached its lowest level in nearly two years. Each of the major market sectors lost value, with energy, consumer staples, health care, real estate, and utilities the hardest hit.

Mega-caps and tech shares pushed stocks higher last Thursday, despite rising COVID-19 virus cases here and around the world. Several states and countries have tightened restrictions in response. A report that fiscal stimulus talks would resume may have helped the market as well. Of the indexes listed here, only the Global Dow lost value. The Nasdaq (0.9%), the Russell 2000 (0.8%), the S&P 500 (0.4%), and the Dow (0.2%) each edged higher. Crude oil prices rose, while the dollar and Treasury yields declined.

Stocks were mixed last Friday, with the Global Dow and the Russell 2000 essentially breaking even, while the Dow, the S&P 500, and the Nasdaq lost value. Investors weighed reports of an application for emergency approval of a COVID-19 vaccine against the possibility of further restrictions, shutdowns, and layoffs. Of the major market sectors, only utilities inched ahead. Information technology, financials, and industrials lost the most by the end of the day. Crude oil prices rose, Treasury yields fell, and the dollar was mixed.

By the end of last week, the small caps of the Russell 2000 and the Global Dow posted notable gains, the Nasdaq inched ahead, while the Dow and the S&P 500 each fell nearly 0.8%. However, following last week's performance, the Global Dow has joined the other benchmark indexes listed here in surpassing their respective 2019 closing values.

Crude oil prices advanced, closing at \$42.17 per barrel by late Friday afternoon, up from the prior week's price of \$40.20 per barrel. The price of gold (COMEX) slipped again last week, closing at \$1,869.40, down from the prior week's price of \$1,886.70. The national average retail price for regular gasoline was \$2.111 per gallon on November 16, \$0.015 greater than the prior week's price but \$0.481 less than a year ago.

Key Dates/Data Releases

11/25: Durable goods orders, GDP, international trade in goods, new home sales, personal income and outlays

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 11/20	Weekly Change	YTD Change
DJIA	28,538.44	29,479.81	29,263.48	-0.73%	2.54%
Nasdaq	8,972.60	11,829.29	11,854.97	0.22%	32.12%
S&P 500	3,230.78	3,585.15	3,557.54	-0.77%	10.11%
Russell 2000	1,668.47	1,744.04	1,785.34	2.37%	7.00%
Global Dow	3,251.24	3,249.33	3,293.16	1.35%	1.29%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.89%	0.82%	-7 bps	-109 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Sales of existing homes grew for the fifth consecutive month in October, climbing 4.3% from September. For the last 12 months ended in October, sales of existing homes are up 26.6%. These increases have occurred despite high unemployment relative to pre-pandemic levels. The median existing home price in October was \$313,000, up from the September price of \$311,800 and well ahead of the October 2019 median sales price of \$271,100. Total housing inventory fell 2.7% in October from September and sits at an all-time low supply of 2.5 months at the current sales pace. Sales of single-family homes also increased by 4.1% last month and 26.7% over the last 12 months. The median existing single-family home price in October was \$317,700, higher than the September price of \$316,200.
- Sales at the retail level increased 0.3% in October from the previous month and 5.7% above October 2019. Retail trade sales also rose 0.3% in October. Retailers that enjoyed a surge in sales include nonstore (online) retail sellers (+29.1%), building material and garden equipment and supplies dealers (+13.2%), and food and beverage stores (+12.0%). Retail businesses that saw sales curtailed last month include electronics and appliance stores (-14.6%), gasoline stations (-16.1%), clothing and clothing accessories stores (-30.0%), and food services and drinking places (-19.3%).
- Import prices fell 0.1% in October, the first decline since April. Despite the October decline, import prices are up 1.0% for the 12 months ended in October. Fuel imports continued to decrease, dropping 1.9% in October after a 5.2% decline in September. Prices for fuel imports fell 27.4% for the year ended in October. Import prices excluding fuel rose 0.1% last month after a 0.5% increase in September. Export prices increased 0.2% in October, the fourth consecutive month of increases. Higher agricultural export prices drove the increase as nonagricultural exports were unchanged. Even with the increase, export prices declined 1.6% for the year ended in October.
- According to the latest report from the Federal Reserve, industrial production rose 1.1% in October, recovering much of its 16.5% decline from February to April. After edging up 0.1% in September, manufacturing output advanced 1.0% last month, although it remains 5.6% below its February level. Utilities output rose 3.9%, while the output for mines fell 0.6%. Total industrial production was 5.3% lower in October than it was a year earlier.
- The housing sector continued to show strength in October. Housing starts rose 4.9% last month, and single-family housing starts increased 6.4%. Housing completions slowed in October, dropping 4.5% from September's rate, while the number of building permits issued was virtually unchanged.
- For the week ended November 14, there were 742,000 new claims for unemployment insurance, an increase of 31,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims was 4.3% for the week ended November 7, a decrease of 0.3 percentage point from the prior week's rate. For comparison, during the same period last year, there were 232,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended November 7 was 6,372,000, a decrease of 429,000 from the prior week's level, which was revised up by 15,000. The highest insured unemployment rates in the week ended October 31 were in Hawaii (8.3%), California (8.3%), New Mexico (8.0%), and Nevada (7.6%). The largest increases in initial claims for the week ended November 7 were in Washington (+7,683), California (+5,293), Massachusetts (+3,383), Alabama (+1,704), and Louisiana (+1,626). States with the largest decreases were in Georgia (-13,426), Illinois (-6,357), Kentucky (-4,830), and Texas (-3,934).

Eye on the Week Ahead

Thanksgiving week is filled with important reports, which will give a final picture of the state of the economy in October. The second iteration of the third-quarter gross domestic product is out this week. The first estimate showed the economy flipped from a second-quarter estimate of -31.4% to a 33.1% growth rate in the third quarter. Orders for durable goods have risen for five consecutive months through September and are expected to advance again in October. Sales of new, single-family homes slowed in September, while existing home sales continued to soar. The October numbers are expected to reverse course for new home sales and come in higher than in September. Finally, an important indicator of inflation, the personal income and outlays report, revealed that inflation at the consumer level has been muted for much of the year, advancing at a rate of 1.4% through September. October's estimate is expected to remain at that same level.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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