MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER /NOVEMBER 2020

November Summary

Markets entered November with enthusiasm following extensive volatility earlier in the year. Investors cheered as they gained clarity on two key uncertainties. First, there were a series of announcements surrounding the development and availability of multiple COVID-19 vaccines. The widespread availability of vaccines is likely still months away, but investors were pleased with early efficacy results and visibility into a potential end to this pandemic. Second, the U.S. Presidential election came and went with Joe Biden gaining control of the White House. Despite the shift in the executive branch, legislatures are expected to remain divided likely paving the path for muted levels of change over the next four years. Overall, markets appeared calmed by the prospect of a more traditional administration and restrained changes to the tax code.

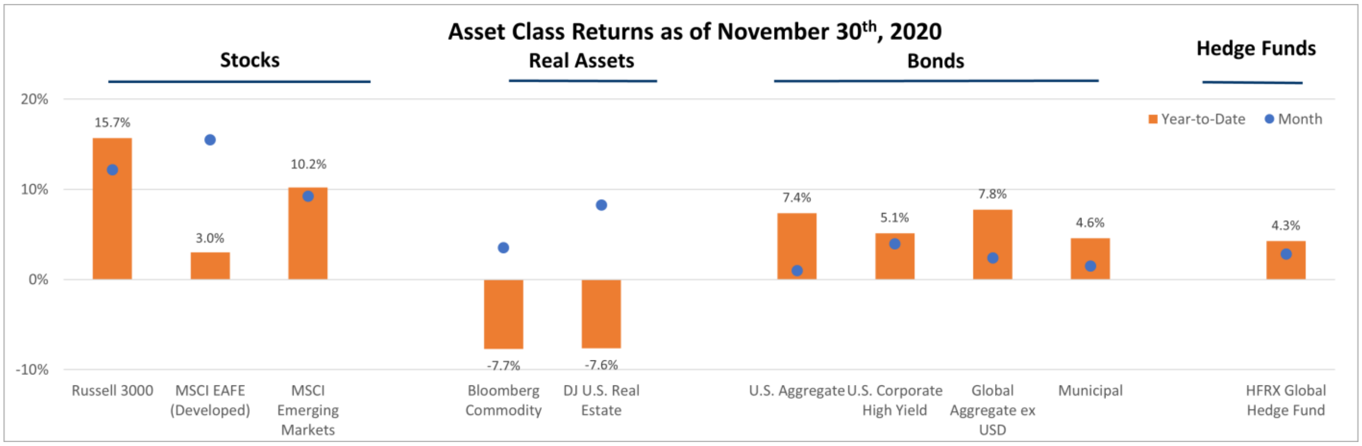
Indicators suggest that the economic recovery is progressing but there is still a long path ahead. Encouraging signs in the U.S. included improved manufacturing and service activity along with a one percent decline in the unemployment rate to just under seven percent. On the other hand, falling consumer sentiment and record levels of new COVID-19 infections painted a more mixed picture. In Europe, heightened restrictions in response to spiking coronavirus cases hampered the recovery with service activity and Eurozone confidence taking the biggest hits. While there are some flare-ups in places like Japan, Asia's containment efforts of the pandemic are ahead of the rest of the world. China, the original epicenter of the pandemic, continues to be the furthest along in the recovery which is reflected in recent economic data.

Fiscal and monetary support stayed on the table for much of the developed world. Although a divided legislature remains an impediment in the U.S., some form of fiscal stimulus is expected to get passed in the coming months that falls somewhere in between Democratic and Republican demands. Other major global central banks also appear poised to keep borrowing to fund economic support for businesses and individuals hardest-hit by the pandemic. Monetary and fiscal support should help bridge the gap between the current spike in cases and future normalcy following wider dissemination of vaccines. That said, ballooning sovereign debt levels will be an obstacle to overcome for future generations.

November was a great month for risk assets with both stocks and bonds realizing meaningful gains. Equity markets were a standout with several major indexes increasing double-digits and reaching record highs. November also marked an important turning point for the broadening out of market strength as the 'reopening' trade came into favor. This helped value stocks narrow the gap in yearly performance relative to growth stocks. In the U.S., small-cap stocks were another stand-out with the Russell 2000 Index increasing nearly 20% over the month. Outside of the U.S., developed international stocks had impressive gains benefiting from similar optimism and further U.S. Dollar weakness. The bond market produced favorable results boosted by modestly lower yields and tighter spreads for credit-sensitive asset classes. In-line with equity markets, 'riskier' portions of the bond market – such as high yield – had the highest returns.

Although significant progress has been made on putting this pandemic behind us, many hurdles remain. Vaccine candidates have proven effective but have yet to receive formal approvals and a variety of logistical hurdles are in place before they can be widely disseminated. The economic recovery has also come a long way, but the world is well behind where it started 2020 at and governments have tacked on record levels of debt. All these reasons suggest that heightened market volatility could spill over into 2021. As a result, it's important to remain focused on long-term goals and ensure that your investment portfolio is allocated appropriately to tolerate a potentially bumpy path to the new normal.

Market Data



Morningstar®, bond indices from Bloomberg Barclays

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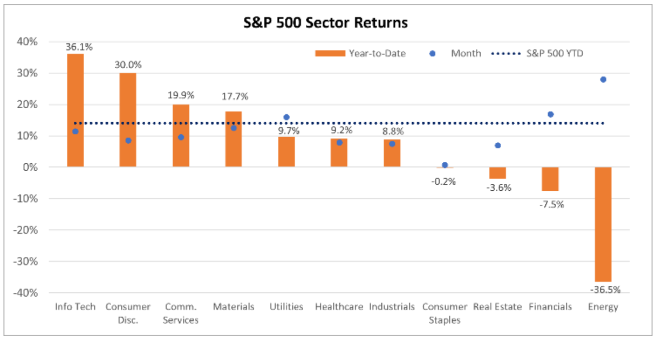
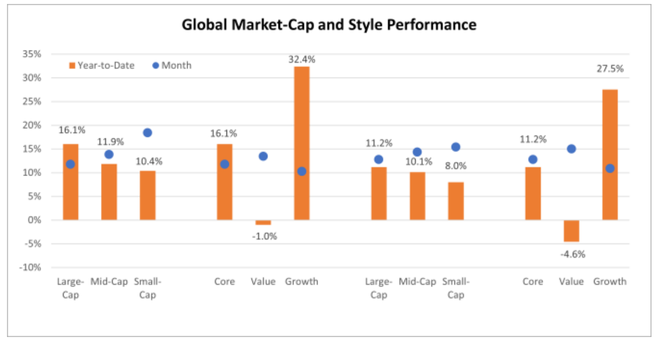
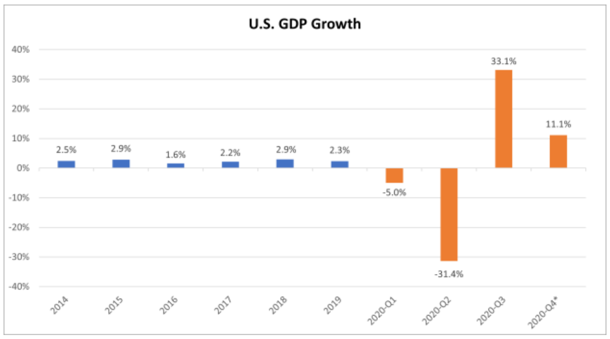


Bloomberg

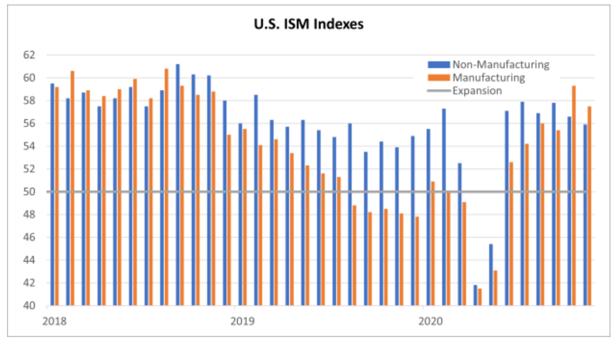


Bloomberg; U.S. indices from Russell and World indices from MSCI

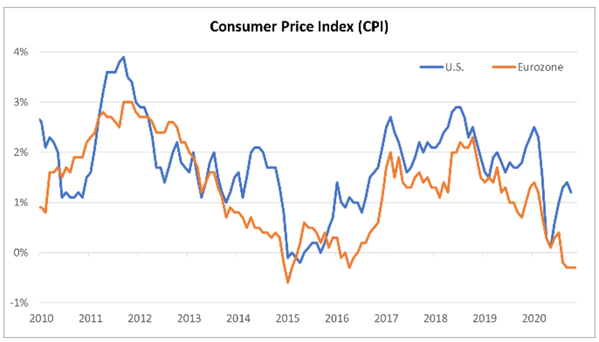
Economic Data



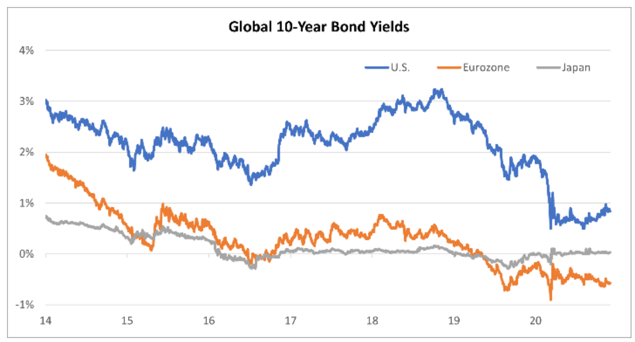
U.S. Department of Commerce; *Atlanta Fed GDP Now estimate



Institute for Supply Management



U.S. Bureau of Labor Statistics



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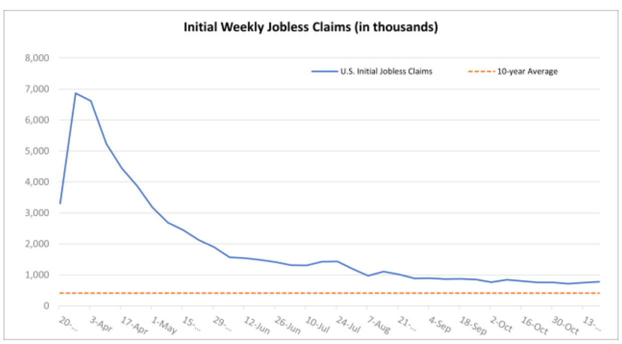
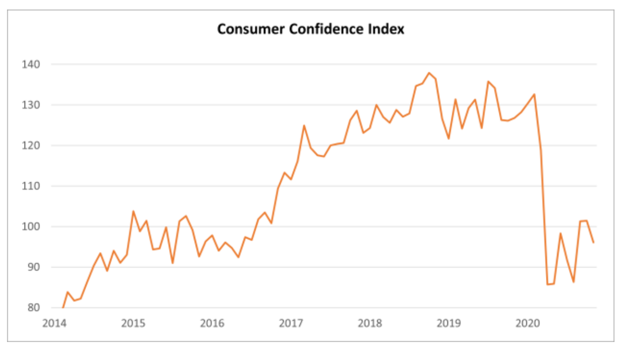
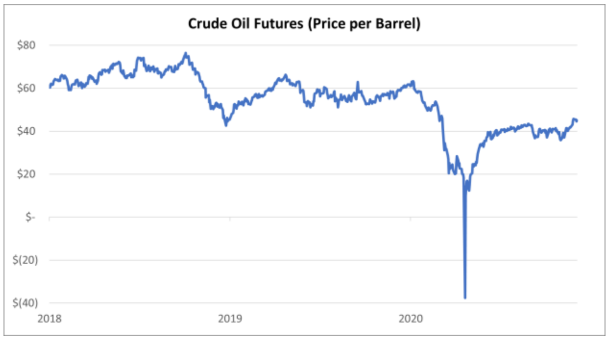


U.S. Department of Labor



Conference Board

Economic Data



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