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JohnsonBRUNETTI
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Market Week: December 7, 2020

The Markets (as of market close December 4, 2020)

November closed on a sour note as investors took profits from stocks last Monday. The Russell 2000, which gained more than 18.0% in November, fell nearly 2.0% on the day. The Global Dow dropped 1.7%, followed by the Dow (-0.9%), the S&P 500 (-0.5%), and the Nasdaq (-0.1%). Treasuries and the dollar advanced, while crude oil prices fell. Health care and information technology were the only market sectors to post gains. Energy, financials, industrials, and utilities each dropped at least 1%.

Stocks rebounded last Tuesday to start December off with a bang. Renewed hope for a stimulus deal and the growing potential of a COVID-19 virus vaccine added to investors' confidence. The S&P 500 and the Nasdaq reached record highs by the close of trading. Communication services, financials, real estate, and information technology led the sectors. The dollar slid to its lowest level in ore than two-years. Crude oil prices fell, but Treasury yields advanced. Among the benchmark indexes, the Global Dow added 1.4%, followed by the Nasdaq (1.3%), the S&P 500 (1.1%), the Russell 2000 (0.9%), and the Dow (0.6%).

The S&P 500 hit another record last Wednesday as stocks closed generally higher for the second consecutive day. The Global Dow continued to surge, climbing 1.5%, followed by the Dow (0.2%), the S&P 500 (0.2%), and the Russell 2000 (0.1%). Only the Nasdaq ended the day slightly in the red, falling a mere 0.1%. Treasury yields and crude oil prices rose, while the dollar sank. Energy led the sectors, advancing over 3.0%. Financials and communication services each gained more than 1.0% on the day.

Stocks were mixed last Thursday as energy, industrials, and real estate advanced, while materials and utilities sunk. The Global Dow climbed 0.7%, the Russell 2000 gained 0.6%, the Dow and the Nasdaq edged up 0.3% and 0.2%, respectively. The S&P 500 declined 0.1%. Treasury yields and the dollar declined, while crude oil prices rose nearly 1.0%.

Equities closed the week as they started, posting impressive gains by the close of trading last Friday. The Russell 2000 advanced 2.3%, the Global Dow climbed 1.1%, the S&P 500 gained 0.9%, the Dow rose 0.8%, and the Nasdaq added 0.7%. Treasury yields surged, reaching their highest level in nine months. Crude oil prices climbed 0.9% but the dollar fell. Among the sectors, energy gained more than 5.0%, offsetting a drop in consumer stocks.

Stocks climbed higher for the week, as investors seem to be gambling on fiscal stimulus in the near term and a virus vaccine within the next several months. The Dow closed well above the 30,000 mark, setting a new high in the process. The S&P 500 and the Nasdaq also set new record highs last week. The Russell 2000 and the Global Dow each advanced more than 2.0% on the week. The Nasdaq is nearly 40.0% higher than its 2019 year-end closing value, and both the S&P 500 and the Russell 2000 are more than 13.0% ahead of their respective year-end marks.

Crude oil prices advanced again last week, closing at $46.04 per barrel by late Friday afternoon, up from the prior week's price of $45.53 per barrel. The price of gold (COMEX) rebounded last week, closing at $1,840.40, up from the prior week's price of $1,781.90. The national average retail price for regular gasoline was $2.120 per gallon on November 30, $0.018 higher than the prior week's price but $0.455 less than a year ago.

Key Dates/Data Releases

12/9: GDP, JOLTS

12/10: Consumer Price Index, Treasury statement

12/11: Producer Price Index

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 12/4	Weekly Change	YTD Change
DJIA	28,538.44	29,910.37	30,218.26	1.03%	5.89%
Nasdaq	8,972.60	12,205.85	12,464.23	2.12%	38.91%
S&P 500	3,230.78	3,638.35	3,699.12	1.67%	14.50%
Russell 2000	1,668.47	1,855.27	1,892.45	2.00%	13.42%
Global Dow	3,251.24	3,406.25	3,489.98	2.46%	7.34%
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%	0.84%	0.96%	12 bps	-95 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

- Employment in November increased by 245,000 following monthly advances of 610,000 and 711,000 in October and September, respectively. Notable job gains occurred over the month in transportation and warehousing, professional and business services, and health care. Employment declined in government and retail trade. In November, the unemployment rate edged down to 6.7%. The rate is down by 8.0 percentage points from its recent high in April but is 3.2 percentage points higher than it was in February. The number of unemployed persons, at 10.7 million, continued to trend down in November but is 4.9 million higher than in February. The labor force participation rate edged down to 61.5% in November (61.7% in October), 1.9 percentage points below its February level. The employment-population ratio, at 57.3%, changed little over the month but is 3.8 percentage points lower than in February. In November, 21.8% of employed persons teleworked because of the coronavirus pandemic, up from 21.2% in October. Last month, 14.8 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic — little changed from October. The average work week remained unchanged at 34.8 hours in November. Average hourly earnings increased by $0.09 to $29.58 and are up 4.4% from a year ago.
- The pace of growth in the manufacturing sector slowed in November, according to the latest Manufacturing ISM® Report On Business®. The November manufacturing purchasing managers' index registered 57.5%, down 1.8 percentage points from the October reading. New orders, production, employment, inventories, and importsdeclined in November. The backlog of orders, deliveries, and export orders increased last month.
- Like the manufacturing sector, services grew in November, but at a slower pace than in October. The services purchasing managers' index registered 55.9%, 0.7 percentage point lower than the October reading. Business activity fell 3.2%, new orders dropped 1.6%, and inventories decreased 3.8%. On the positive side, employment increased 1.4% and prices advanced 2.2%.
- According to the latest information from the Census Bureau, the goods and services trade deficit was $63.1 billion in October, up 1.7% from the prior month's total. October exports increased 2.2% to $182.0 billion. Imports in October were $245.1 billion, 2.1% ahead of September imports. Year to date, the goods and services deficit increased $46.6 billion, or 9.5%, from the same period in 2019. Exports decreased 16.4%, while imports decreased 11.5%. For the third quarter, trade surpluses (in billions of dollars) were with South and Central America ($12.2), OPEC ($7.4), Hong Kong ($5.1), Brazil ($4.9), the United Kingdom ($4.3), Singapore ($3.2), Saudi Arabia ($2.6), and Canada ($2.0). Trade deficits (in billions of dollars) were recorded with China ($74.6), Mexico ($34.2), the European Union ($31.1), Germany ($14.1), Japan ($12.8), India ($8.5), Taiwan ($7.3), Italy ($6.9), France ($5.9), and South Korea ($4.3).
- For the week ended November 28, there were 712,000 new claims for unemployment insurance, a decrease of 75,000 from the previous week's level, which was revised up by 9,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.8% for the week ended November 21, a decrease of 0.4 percentage point from the prior week's rate. For comparison, during the same period last year, there were 206,000 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 21 was 5,520,000, a decrease of 569,000 from the prior week's level, which was revised up by 18,000. The highest insured unemployment rates in the week ended November 14 were in the Virgin Islands (7.9%), California (7.3%), Hawaii (7.1%), Nevada (6.7%),

Alaska (6.4%), and Massachusetts (6.0%). The largest increases in initial claims for the week ended November 21 were in Illinois (+18,796), Michigan (+17,285), Washington (+13,499), Georgia (+9,462), and California (+9,361), while the largest decreases were in Louisiana (-33,573), Massachusetts (-22,572), New Jersey (-783), Idaho (-328), and the District of Columbia (-255).

Eye on the Week Ahead

The final estimate of gross domestic product for the third quarter is released this week. The second estimate projected that the economy expanded at a rate of 33.1% in the third quarter — a figure that's not expected to change much in the final estimate. Also out this week is the latest report on the Consumer Price Index for November. The CPI was unchanged in October and has increased by a mere 1.2% for the year, as inflationary pressures remain muted.

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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