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Market Month: November 2020

The Markets (as of market close November 30, 2020)

Despite a downturn on the last day of the month, stocks rebounded impressively in November from a moribund performance in October. Several of the benchmark indexes reached record highs during November as investors shifted slightly from tech stocks to shares influenced by economic cycles.

While the presidential election, COVID-19, and additional fiscal stimulus dominated the news throughout the month, stocks seemed immune. Instead, investors pinned their hopes on the development of a virus vaccine and a quick economic recovery.

Gross domestic product rebounded in the third quarter and job growth continued. Personal income and consumer spending continued to climb. Inflation remained muted and below the Federal Reserve's 2.0% target. Sales of existing homes advanced, while new home sales lagged.

The Dow enjoyed its best month since 1987, and the small caps of the Russell 2000 surged ahead by nearly 20.0%. In fact, each of the benchmark indexes posted double-digit monthly gains.

Among market sectors, energy, financials, industrials, and materials surged. Communication services and information technology posted moderate gains, and utilities fell.

Year to date, each of the indexes listed here is ahead of its respective 2019 closing value. The Nasdaq is 35.96% ahead of last year's pace, followed by the S&P 500, the Russell 2000, the Dow, and the Global Dow.

By the close of trading on November 30, the price of crude oil (CL=F) was $45.11 per barrel, well above its October 30 price of $35.61 per barrel. The national average retail regular price for gasoline was $2.102 on November 23, $0.043 lower than the October 26 selling price, and $0.477 less than a year ago. The price of gold sank last month, closing at $1,779.00 on November 30, down from its October 30 closing price of $1,878.00.

Key Dates/Data Releases

12/1: ISM Manufacturing Index

12/3: ISM Services Index

12/4: Employment situation, international trade in goods and services

12/9: GDP, JOLTS

12/10: Consumer Price Index, Treasury budget

12/11: Producer Price Index

12/15: Import and export prices, industrial production

12/16: Retail sales, FOMC statement

12/17: Housing starts

12/22: Existing home sales

12/23: New home sales, personal income and outlays

12/24: Durable goods orders

12/30: International trade in goods

Stock Market Indexes

Market/Index	2019 Close	Prior Month	As of November 30	Monthly Change	YTD Change
DJIA	28,538.44	26,501.60	29,638.64	11.84%	3.86%
Nasdaq	8,972.60	10,911.59	12,198.74	11.80%	35.96%
S&P 500	3,230.78	3,269.96	3,621.63	10.75%	12.10%
Russell 2000	1,668.47	1,538.48	1,819.82	18.29%	9.07%
Global Dow	3,251.24	2,886.59	3,348.50	16.00%	2.99%
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%	0.86%	0.84%	-2 bps	-107 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.

Latest Economic Reports

- **Employment:** Employment increased by 638,000 in October after adding 661,000 new jobs in September. Employment has increased for six consecutive months, but is below its February level by 10.1 million, or 5.5%. Notable job gains occurred in leisure and hospitality, professional and business services, retail trade, and construction. Employment in government declined. These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed due to the COVID-19 pandemic and efforts to contain it. The unemployment rate declined by 1.0 percentage point to 6.9%, and the number of unemployed persons fell by 1.5 million to 11.1 million. Both measures have declined for six consecutive months but were higher than in February by 3.5% and 5.8 million, respectively. The number of persons not in the labor force who currently want a job, at 6.7 million in October, is 1.7 million higher than in February. In October, 21.2% of employed persons teleworked because of the COVID-19 pandemic, down from 22.7% in September. Also, 15.1 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. This figure is down from 19.4 million in September. About 3.6 million persons not in the labor force in October were prevented from looking for work due to the pandemic. This is down from 4.5 million in September. Average hourly earnings in October rose by $0.04 to $29.50. Average hourly earnings increased by 4.5% over the last 12 months ended in October. The average work week was unchanged from September at 34.8 hours in October. The labor participation rate increased 0.3 percentage point to 61.7%. The employment-population ratio increased 0.8 percentage point to 57.4%, but is 3.7 percentage points lower than in February.
- Claims for unemployment insurance continued to drop in November. According to the latest weekly totals, as of November 14 there were 6,071,000 workers receiving unemployment insurance, down from the October 17 total of 7,756,000. The insured unemployment rate was 4.1% (5.3% a month earlier). The highest insured unemployment rates in the week ended November 7 were in California (7.9%), Hawaii (7.1%), Nevada (6.9%), the Virgin Islands (6.9%), Alaska (6.3%), Massachusetts (6.1%), Illinois (5.9%), Georgia (5.8%), District of Columbia (5.6%), and New Mexico (5.5%).
- **FOMC/interest rates:** The Federal Open Market Committee (FOMC) met in early November. In its official statement following that meeting, the FOMC noted that while the COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world, economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. The Committee expects to maintain an accommodative monetary policy stance until maximum employment and 2.0% inflation are achieved over the longer run. In lieu thereof, the FOMC decided to keep the target range for the federal funds rate at 0.0% to 0.25%.
- **GDP/budget:** In contrast to the second-quarter gross domestic product, which fell 31.4%, the second estimate for the third quarter shows the economy advanced at an annual rate of 33.1%, unchanged from the first estimate. The reversal in economic growth reflects the ongoing efforts to reopen businesses and resume activities that were postponed or restricted due to the COVID-19 pandemic. Consumer spending, as measured by personal consumption expenditures, increased 40.6% in the third quarter, in contrast to a 33.2% decline in the second quarter. Nonresidential (business) investment vaulted 21.8% (-27.2% in the second quarter); residential investment soared 62.3% after falling 35.6% in the prior

quarter. Exports advanced 60.5% (-64.4% in the second quarter), and imports increased 93.1% (-54.1% in the second quarter). Federal nondefense government expenditures decreased 18.1% in the third quarter as federal stimulus payments and aid lessened.

- October marked the first month of fiscal year 2021. The monthly Treasury budget deficit for October was $284.1 billion, up 111% from the October 2019 deficit. October government outlays, at $521.8 billion, were 37% higher than a year earlier, while government receipts for the month fell 3% to $237.7 billion. Compared to October 2019, payments for income security increased by 135%, Medicare outlays rose by 72%, and veterans benefits and services payments advanced 69%.
- **Inflation/consumer spending:** According to the Personal Income and Outlays report for October, personal income and disposable personal income decreased 0.7% and 0.8%, respectively, after each increased 0.7% in September. Consumer spending increased for the fifth consecutive month in October, climbing 0.5% following a 1.2% advance in September. Inflation remained somewhat muted as consumer prices were unchanged in October after increasing 0.2% in September. Consumer prices have increased by a mere 1.2% over the last 12 months.
- The Consumer Price Index was unchanged in October after climbing 0.2% in September. Over the last 12 months ended in October, consumer prices are up 1.2%. Component indexes were mixed, with many offsetting increases and decreases. The food index advanced 0.2%, energy inched up 0.1%, and new vehicles moved up 0.4%. Apparel fell 1.2%, used cars and trucks dropped 0.1%, and medical care commodities fell 0.8%.
- Prices that producers receive for goods and services, as measured by the Producer Price Index, rose 0.3% in October after climbing 0.4% in September. Producer prices increased 0.5% for the 12 months ended in October, the largest advance since moving up 1.1% for the 12 months ended in February. In October, nearly 60% of the rise in prices was attributable to a 0.5% increase in goods. Prices for services also moved up 0.2%. Prices less foods, energy, and trade services advanced 0.2% in October, the sixth consecutive monthly increase. For the 12 months ended in October, producer prices less foods, energy, and trade services rose 0.8%, the largest advance since moving up 1.0% for the 12 months ended in March.
- **Housing:** The housing sector returned mixed results in October. Sales of existing homes advanced for the fifth consecutive month, climbing 4.3% after increasing 9.4% in September. Over the 12 months ended in October, existing home sales are up nearly 26.6%. The median existing-home price was $313,000 in October ($311,800 in September). Unsold inventory of existing homes represents a 2.5-month supply at the current sales pace, a record low. Sales of existing single-family homes increased 4.1% in October following a 9.7% jump in September. Over the last 12 months, sales of existing single-family homes are up 25.9%. The median existing single-family home price was $317,700 in October, up from $316,200 in September.
- While existing home sales continued to increase, new home sales fell 0.3% in October for the second consecutive month, after decreasing 3.5% in September. The median sales price of new houses sold in October was $330,600 ($326,800 in September). The October average sales price was $386,200 ($405,400 in September). The inventory of new single-family homes for sale in October represents a supply of 3.3 months at the current sales pace, down from the September estimate of 3.6 months.
- **Manufacturing:** Total industrial production rose 1.1% in October after falling 0.6% in September. Although industrial production has recovered most of its February to April decline, output in October was still 5.6% below its pre-pandemic February level. After edging up 0.1% in September, manufacturing output increased 1.0% in October. The output of utilities rose 3.9%, while the output at mines declined 0.6% to a level that was 14.4% below its year-earlier reading. Most major industries reversed course from September, posting increases in October. Consumer goods rose 0.8%. Production of business equipment increased 0.6%. Production of nonindustrial supplies advanced 2.0% in October after falling 0.2% in September. Overall, the level of total industrial production was 5.3% lower in October than it was a year earlier.
- For the sixth consecutive month, new orders for durable goods increased in October, climbing 1.3% following a 1.9% jump in September. Despite the trend of monthly increases, new orders for manufactured durable goods were 9.1% lower than a year ago. Excluding transportation, new orders increased 1.3% in October. Excluding defense, new orders increased 0.2%. Defense and nondefense aircraft and parts led the October increase in new orders, advancing 79.1% and 38.8%, respectively. Nondefense new orders for capital goods fell 0.2% in October after increasing 11.5% in September.
- **Imports and exports:** Prices for U.S. imports edged down 0.1% in October following a 0.2% increase in September. The October decline was driven by lower fuel prices (-1.9%), which more than offset higher nonfuel prices (+0.1%). Export prices increased 0.2% in October, continuing the upward trend of the four previous months. In October, the advance was driven by higher agricultural export prices (+3.4%); prices for nonagricultural exports were unchanged. Even with the recent increases, export prices declined

1.6% for the year ended in October.

- The international trade in goods deficit was $80.3 billion in October, up $3.7 billion, or 1.2% up from September. Exports of goods were $126.0 billion in October, $3.4 billion, or 2.8%, more than in September. Imports of goods were $206.3 billion in October, $4.4 billion, or 2.2%, more than in September. Exports of industrial supplies, which increased 13.6% in September, fell -4.4% in October. Exports of consumer goods climbed 6.1% in October after advancing 1.3% the prior month. Imports of industrial supplies rose 3.1% in October after declining 3.5% in September. Imports of automotive vehicles rose 3.2% in October after vaulting up 11.3% in September.
- The latest information on international trade in goods and services, out October 6, is for August and shows that the goods and services trade deficit was $67.1 billion, an increase of nearly $4.0 billion, or 5.9%, over the July deficit. August exports were $171.9 billion, or 2.2% more than July exports. August imports were $239.0 billion, or 3.2% more than July imports. Year to date, the goods and services deficit increased $22.6 billion, or 5.7%, from the same period in 2019. Exports decreased $296.1 billion, or 17.6%. Imports fell $273.5 billion, or 13.1%.
- **International markets:** China's factory production expanded at its fastest rate in three years, a further sign of the country's economic recovery from the pandemic. Global markets also enjoyed a solid November, with European shares climbing for four consecutive weeks, buoyed by positive vaccine developments. The STOXX Europe 600 Index and Germany's DAX Performance Index each rose nearly 13% on the month. These gains came despite several European nations, including Germany and the United Kingdom, tightening COVID-19 restrictions.
- **Consumer confidence:** The Conference Board Consumer Confidence Index® declined in November for the second consecutive month. The index stands at 96.1, down from 101.4 in October. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased slightly from 106.2 to 105.9. The Expectations Index, which is based on consumers' short-term outlook for income, business, and labor market conditions, declined from 98.2 in October to 89.5 in November.

Eye on the Month Ahead

The last month of the year brings to a close a most tumultuous 2020, as the country and the world continue to recover from the effects of the COVID-19 virus. One or more vaccines should be nearing availability in the early part of 2021. The job market should trend upward, unemployment should wane, industrial production should increase, and the economy should stabilize.

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.

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