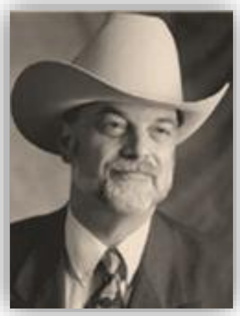

# THE PERSONAL WEALTH COACH®

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## TPWC Market and Economic Update

### The Markets

The U.S. stock market, as measured by the S&P 500 Stock Index (SPX), closed out the foreshortened Thanksgiving week at an all-time high of 3638.35, up 2.27% for the week. The new record close puts the SPX up 12.62% year-to-date, almost ten points of which were gained in the days since the election. While we don't normally report on the other widely followed index, the venerable Dow Jones Industrial Average of 30 stocks topped a milestone, crossing the 30000 mark for the first-time mid-week, although it sagged back to 29910 by the close on Friday. The CRSP U.S. Value Index continued to play catch-up to the SPX, rising 2.74% to 2022.87.

The surge in stock values this week was widely credited to optimism about the potential for a full economic recovery and more as wide-spread vaccination becomes a reality in 2021, combined with the market's approval of the moderate, generally pro-business choices President-elect Biden is making for his key economic cabinet positions. The stock market is, in essence, anticipating record high corporate earnings in 2022, and stock prices are discounting those earnings in 2020.

The U.S. Treasury ten-year note yield joined in the celebration of good times to come with a 2% increase to yield 0.846%, still down from its recent highs but well above the half to three-quarter percent yields at which it traded for most of the year. Oil prices enthusiastically joined in the Thanksgiving party, rising 8% to $45.52 per barrel for West Texas Intermediate (WTI) crude.

### The Economy

In a strong indication that the absence of a stimulus/relief bill combined with record numbers of both new COVID-19 infections and hospitalizations is having an effect on the economy, The Labor Department reported new claims for state unemployment insurance rose to 778,000 for the week, up for the second week in a row for the first time since July. As we wrote last week, while the week's jobless claims were nowhere near as high as the multi-million layoffs we saw in the spring, current weekly job losses still dramatically exceed the records we have seen in previous recessions. Before the pandemic, the record was held by the 1982 recession at 695,000 and the average in 2019 was about 210,000 per week.

The job losses and lack of a relief bill appear to be showing up in other areas too. According to the Commerce Department, consumer spending growth, the primary driver in our economy, slowed to 0.5% in October compared with Septembers 1.2% and personal incomes dropped by an average of 0.7%. Unless Congress acts within the next month, two more federally funded jobless programs will expire at the end of December, potentially having a seriously negative economic effect on about 12 million people and potentially halting the recovery.

In a bit of good news for those who do have adequate income, the Personal Consumption Expenditures Index, which the Federal Reserve uses for its calculation of inflation, is only up 1.2% from a year ago. More good news came from the Commerce Department's report that U.S. durable goods orders increased 1.3% for October. Core capital goods, longer-term equipment constituting a form of business investment, shipments rose, 2.3%, suggesting that manufacturers, like the stock market, see far better times coming next year and beyond.

Confirming that impression, HIS Markit announced on Monday that its composite index of U.S. business activity, coming from purchasing managers of both manufacturing and services companies, rose to 57.9 in November, following the election, from October's 56.3 on a scale where numbers above 50 indicate growth. That was the strongest number since 2015 and indicates a deep-seated business recovery is underway although the total activity remains below where it was in February. That positive reading contrasts strongly with Europe where the index has fallen below 50 for both the manufacturing and services industries in the face of a surge in the coronavirus pandemic.

If the infection, hospitalization, and death rates continue to rise and the Senate continues to refuse to pass a relief bill, there is a very real possibility of a return to negative GDP numbers in the first quarter of 2021. Longer term, once widespread vaccination is in place, which is likely to be mid-year at the earliest, we continue to anticipate a full recovery and a potential burst of pent-up growth by the second half of next year.

Until next week, we continue at out duties to serve you, provide assistance in reaching your financial and investment goals, and generally be there for you.

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