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THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index broke another record on Tuesday, closing at 3701.76, but then staggered downhill for the rest of the week as hopes for a fresh pandemic relief bill faded while COVID deaths across the nation topped 3,000 per day. At the end of the week the Index closed at 3663.46, down nearly 1%. It remained up about 13.39% year-to-date.

After a valiant effort to cross the 1% yield line last week, the ten-year U.S. Treasury note yield beat a retreat all week to finish at 0.887%, down 8.75%. Again, the gloomy news was that the falling chances of a Congressional compromise combined with the rapid growth of COVID infections, hospitalizations, and deaths were said to be the causes. Oil prices, (WTI) bucked the trend and rose to $46.57, up 1.04% on increased demand from China.

The Economy

The lead economic news for the week was the Labor Department's announcement that new unemployment claims in the U.S. rose to a seasonally adjusted 863,000 last week. You may remember that the new claims for the last week in November dropped to 712,000 and we warned that the decline in layoffs was probably a statistical fluke caused by the shortened Thanksgiving week, and it appears to be so. The average of the two weeks is probably closer to the true number of weekly job losses and is an elevated 787,500, almost four times the average number we saw over the past several years and a distinct reversal of the falling layoffs we saw in the past several months. The total number of persons in the country who were previously employed but are now out of a job is now estimated to be approximately 20 million.

Both the underlying numbers from the Labor Department and anecdotal information suggest that the rising COVID infection rates, hospitalizations, and deaths are having a depressing effect on consumer activity. October retail sales, not including automobiles and gasoline, grew at a minimal rate of 0.2% for the month, far lower than the 1.5% recorded in September.

In one of the more remarkable items that make this economic downturn different, consumer credit declined for the seventh time in eight months as Americans spent 5.5% less on credit card purchases in October than in September according to the Federal Reserve. More, American consumers are paying down their existing balances far faster than they are charging the new purchases. It appears the primary driving factor in our economy, the consumer, is hunkering down for a long, hard winter.

Confirming that less than optimal economic picture, the Fed's Beige Book, a compilation of reports from the regional Federal Reserve Banks on activity in their respective districts, reported little or no growth in four of the twelve districts and only modest growth in the others in November. The report cited the ending of Congressional support for the economy and the rising disease rates as key factors slowing the recovery. It noted that across the country women are being rendered unemployed by school and day care closings, leisure, food, and hospitality firms are operating at a significantly reduced capacity, and now banks, concerned about possible defaults are tightening standards just as many businesses are running low or out of cash. Additionally, office vacancies are threatening commercial real estate holdings as leaseholders either default or are failing to renew leases. The Boston Fed reported that contacts there estimated daytime office occupancy rates were at about 20%.

The reverse trend is evident in goods transportation, delivery, and manufacturing firms. Delivery, warehousing, and trucking operators added a combined 131,400 jobs, over half of the 245,000-net job gains for November. United Parcel Service put caps on the total number of packages it will accept from some commercial suppliers as they are complaining they simply cannot find enough vehicles and drivers to meet the demand. E-commerce spending rose by 53% in November from a year earlier according to Mastercard. Meanwhile, demand for workers to drive forklifts, pick, and pack orders, then handle shipping is at historic highs according to reports from the Wall Street Journal.

This economic event, originally described as likely to be "V" shaped, is looking more like a "K". In some locales and industries, the recession is hitting hard as it produces long-term unemployment and business failures while in other areas, such as finance and e-commerce, a boom-time expansion is under way. Overall, lower skilled workers appear to be taking the brunt of the downturn while more technically qualified jobs such as in manufacturing and finance are plentiful and seeing wage increases. Truly, to paraphrase Charles Dickens, "It is the best of times, it is the worst of times."

From our perspective, not much has changed. We appear to be headed for a slump in the short term as COVID infections, hospitalizations, and deaths rise to record levels with the resulting pullback in economic activity. Longer-term, with two vaccines tested and ready for distribution, 2021 has the potential to see the beginning of a booming recovery after the first quarter.

Until next Friday, we, your humble servants, continue to stand watch, answer your questions, and endeavor to be good stewards of all you have placed in our care.

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