

CAPITAL MARKETS COMMENTARY

# Light at the End of the Tunnel

NOVEMBER 2020

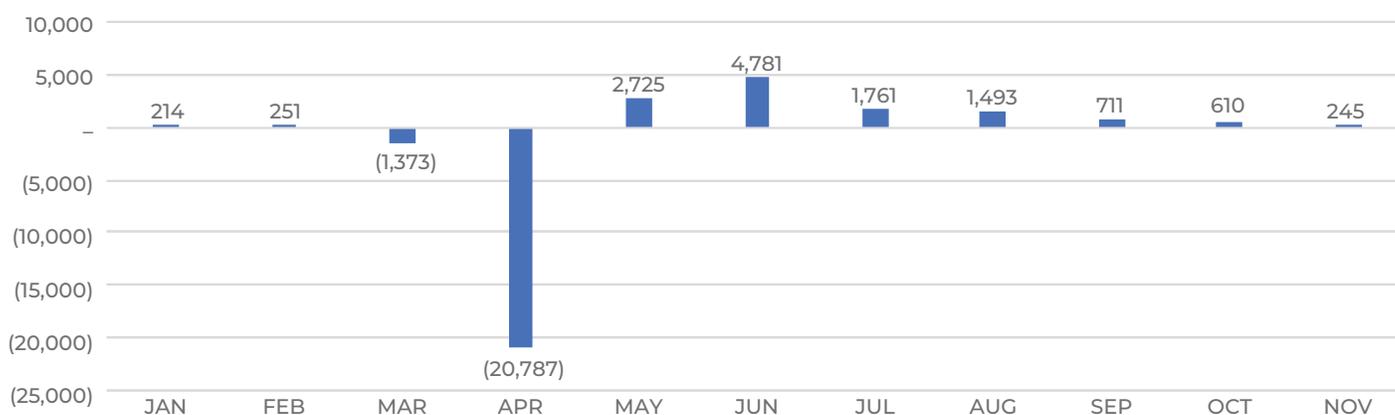
# Three potential vaccine candidates were announced this month, providing investors with hope of an end to the COVID-19 global pandemic.

Pfizer and BioNTech's collaboration and Moderna both announced potential vaccines that proved to have an efficacy rate of up to 95%. Oxford-AstraZeneca produced the third vaccine that prevented the COVID-19 virus with a 70% average efficacy rate. Each of these companies are seeking emergency authorization from the FDA, which could come in as little as a few weeks. The U.S. has provided resources to the medical community so they can begin proactively producing these vaccine candidates. Should the FDA approve any of these, the premanufactured doses will be ready to be shipped for distribution within hours of approval. The goal is to produce 50 million vaccinations by the end of 2020 and as many as 1.3 billion doses in 2021. The approval for these vaccines cannot come quickly enough as the U.S. is experiencing a massive surge in contractions, recently recording more than 200,000 new cases in a single day. In 2020, the U.S. has exceeded 14 million cases, and more than 270,000 have perished. Many states are reimposing curfews and other restrictions to reduce the spread of the virus, as healthcare workers and hospitals near their capacity.

## STOCK MARKET AND THE ECONOMY

Multiple vaccine candidates provided investors with a more positive outlook. The S&P 500 Index increased more than 10.9% for the month, which made it the best performing November since the inception of the benchmark in 1957. The vaccine news also helped the Dow Jones Industrial Average cross the 30,000 level for the first time. If a vaccine is approved, the U.S. economy could fully reopen sometime in the second half of 2021. Meanwhile, there are still many Americans suffering from the economic impact of this virus. The most recent example is the U.S. Non-Farm Payrolls, which created just 245,000 jobs during the month of November, badly missing consensus estimates of 469,000. It is the lowest level of job creation since the pandemic began.

U.S. NON FARM PAYROLLS FOR 2020



Source: Bloomberg

This slowdown in employment is another reason why Congress continues to work on passing a bipartisan relief package. Currently, the bill's value is less than \$1 trillion, compared to the \$2.2 trillion CARES Act that passed in March. The CARES Act provided 42 million borrowers the option to pause their Federal student loan repayments during the COVID-19 pandemic. This temporary program expires at the end of the year unless Congress passes a new relief package extending the provision.

The increase in monetary stimulus to sustain the U.S. economic rebound is one factor affecting the U.S. dollar, which fell to a 2½ year low against the euro in November. A portion of the decline is likely due to a strengthening euro. Despite the pandemic, the U.S. continues to have moderate inflation of 1.5%, where the eurozone is seeing signs of deflation. These factors helped developed international countries and emerging markets as represented by the MSCI EAFE, and MSCI EM indices, which increased 15.5% and 9.5% respectively in November.

## IMPACT OF HOLIDAY SHOPPING

Due to the pandemic, this year's holiday shopping season started much earlier. The Center for Disease Control strongly recommended shopping online to help prevent the spread of COVID-19. Therefore, retailers began promoting their discounts a month in advance to encourage people to shop online to avoid crowded stores. The plan worked as the number of shoppers visiting brick and mortar stores on Black Friday dropped more than 52% from last year. According to Adobe Analytics, the U.S. consumer spent \$9 billion online during Black Friday, representing a 21.6% increase over last year. Also, Cyber Monday sales increased more than 15% over 2019, totaling \$10.8 billion. These numbers will provide a boost to fourth-quarter GDP projections as more than 70% of the U.S. economy is fueled by consumer spending.

## 2020 ELECTION

The U.S. Presidential election results were recently certified, and Joe Biden will soon become the 46th President of the United States. Congress will likely remain divided between the Republicans and Democrats but will ultimately be decided by a run-off election for two U.S Senate seats in Georgia on January 5th. While there remain many unknowns about the economy and the global pandemic, the likelihood of a split Congress provided comfort to investors. A split congress, regardless of which party controls the White House, is a combination that has historically offered some of the best returns for investors. It is likely because there is more certainty that there will not be broad and sweeping unexpected policy changes that could more easily occur should a single party control each government branch.



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0116-MAM-12/8/20-3100