This Week's Market Moves

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U.S. stocks soared last week, with the major indices rising back within striking distance to their all-time highs. Election uncertainty did not seem to faze the markets as predicted, with the Dow Jones climbing 6.9%, the S&P 500 Index rising 7.4% and the tech-heavy NASDAQ soaring 9.0%. Here are some other insights on the market and the economy from this past week:

ELECTION-FUELED STOCK GAINS

U.S. equities rebounded sharply following the previous week's sell-off. While the stock market typically does not like uncertainty - and there was plenty of it last week with the pending election results and looming legal challenges - investors breathed a sigh of relief that a Democratic sweep did not materialize. Markets rallied on the news that a gridlocked Congress will limit major policy changes and keep the status quo on current economic policies. The S&P 500 Index soared 7.4%, its biggest weekly gain since April.

UPBEAT EARNINGS

Third-quarter earnings are coming in better than expected. According to FactSet, a whopping 86% of the S&P 500 companies that have reported thus far have beaten their earnings estimates. This is well above the five-year average of 73%, marking the highest percentage of companies reporting an upside surprise since FactSet started tracking this metric in 2008. Despite the encouraging news, S&P earnings still declined 7.5% from a year ago.

TREASURY YIELDS DECLINE

The yield on the 10-year Treasury rose to a high of 0.94% mid-week in anticipation of a large fiscal relief package if the poll predictions materialized. However, as the election results started to roll in, and it appeared more likely that America will have another four years of a divided Congress, yields quickly reversed course. The 10-year Treasury yield ended the week down 4 basis points to 0.83% and the 30-year bond declined 3 basis points to 1.60%.

MORTGAGE RATES BOTTOM OUT, AGAIN

The 30-year fixed rate mortgage averaged 2.78% for the week ending November 6. This level marks the 12th record low for 2020, as compared to 2.81% in the prior week and 3.69% a year ago, per the Freddie Mac Primary Mortgage Market Survey. Low inventory and increasing demand keep pushing home prices higher. 2020 has seen homes sell faster in October than September for the first time since 2011.

FED HOLDS RATES STEADY

The Federal Reserve kept the benchmark interest rate anchored near zero at their policy meeting this past week. While the recent stock market volatility had sparked concerns that the Fed may announce some new policy initiatives, the meeting did not result in any further announcements. However, Chairman Powell warned the ongoing health crisis will continue to weigh on economic activity in the near term and reaffirmed the Fed's commitment to provide further assistance in the coming months if it is needed.

JOBLESS CLAIMS DIPPED

The number of first-time unemployment claim filers declined for the second consecutive week to 751,000. 362,883 workers not eligible for regular state benefits filed under the Pandemic Unemployment Assistance program. Continuing claims, which report those Americans currently receiving benefits, fell by 538,000 to 7.3 million. However, the number of Americans receiving emergency benefits rose to nearly 4 million, suggesting that many workers may have exhausted their regular benefits.

LABOR MARKET IMPROVES

The U.S. economy added 638,000 jobs in October, with the unemployment rate falling to 6.9%. While the report was better than expected, the health of the labor market is not as rosy as it seems. The number of permanent job losses still stands at 3.7 million; 2.4 million higher than it was in February. In addition, the number of long-term unemployed, those jobless for 27 weeks or more, increased by 1.2 million to a total of 3.6 million, the highest level since 2014.

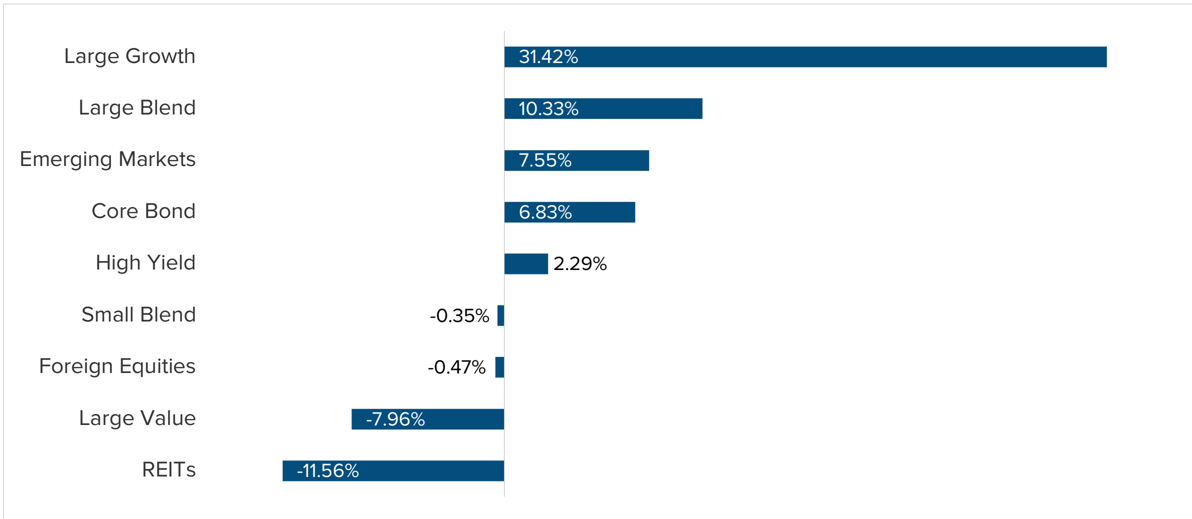
U.S. DOLLAR FALLS TO A TWO-MONTH LOW

The DXY Index, which represents the value of the U.S. dollar against a basket of foreign currencies, fell to a two-month low this past week. The swift move coincides with the risk-on mood in stocks, as the U.S. dollar is typically perceived as a safe-haven currency. Many emerging markets and Latin American currencies are higher versus the U.S. dollar, too.

CORONAVIRUS CONCERNS TAKE A BACK SEAT

Financial markets were more focused on the election results, or lack thereof, than the sharp increase in virus cases last week. According to the John Hopkins University data tracker, the number of new daily cases in the U.S. surpassed 120,000, an all-time high for a 24-hour period. Right now, more than 37 states, mostly across the South, Midwest, and Mountain regions, have higher positivity rates than the recommended levels established by the World Health Organization.

TOTAL RETURNS BY ASSET CLASS YTD AS OF NOVEMBER 6, 2020



Indices: Core Bond: Bloomberg Barclays U.S. Aggregate Index, High Yield: ICE BofA US High Yield, Large Value: Russell 1000 Value Index, Large Blend: S&P 500 Index, Large Growth: Russell 1000 Growth, Emerging Markets, MSCI EM NR USD, Foreign Equities: MSCI ACWI Ex USA NR USD, REITs: FTSE NAREIT All Equity, Small Blend: Russell 2000

Should you have additional questions, please contact your Cammack Retirement Group consultant or info@cammack retirement.com. Note that this article was published on November 9, 2020. Data represented is as of the publication date. The information contained herein has been obtained from sources that are believed to be reliable. However, Cammack Retirement Group does not independently verify the accuracy of this information.

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