This Week's Market Moves

Denise M. Burns, MBA, CFA® and Tracey M. Manzi, CFA®
Cammack Retirement Group

The S&P 500 Index climbed to a record high amid positive developments on the vaccine front. Optimism that a vaccine could accelerate the recovery led to a rotation out of stay-at-home stocks into more cyclical plays. Here are some other insights on the markets and the economy from last week:

VACCINE EUPHORIA

News that Pfizer's coronavirus vaccine showed promising results at treating COVID-19 sent risk assets soaring. While there are still questions regarding the vaccine's effectiveness and how quickly the drug can be produced and distributed, the major equity markets surged on the news as investors anticipated brighter days ahead. The Dow jumped 4.2%, the S&P 500 Index was up 2.2% and the tech-heavy NASDAQ lost 0.5%.

CYCLICAL ROTATION OR ANOTHER HEADFAKE?

The S&P 500 Index closed at a record high, despite concerns over surging COVID-19 cases. Positive developments on the vaccine front fueled optimism that the economic recovery will continue. This led to a cyclical rotation out of stay-at-home stocks and mega-cap big tech into the beaten down cyclical sectors, such as value and small-cap stocks. However, each time we have seen a big reversal out of value stocks into growth stocks, the move has been difficult to sustain.

BIG SWINGS IN TREASURY YIELDS

Government bonds have seen big swings in recent weeks, particularly in the longer-dated maturities. The 10-year Treasury yield surged to just under 1.0% on the vaccine news, its highest level since March. However, concerns about renewed lockdowns and tougher restrictions due to the uncontrolled coronavirus spread, along with the tame inflation data, caused yields to fall back to 0.89% by week's end.

RECORD NUMBER OF ZOMBIE COMPANIES

A decade of cheap financing combined with huge market interventions from the Federal Reserve has led a record number of zombie companies in recent years. Zombie companies are firms that do not earn enough money to service or repay their debts, relying on more debt and government bailouts to survive. A record 18% of U.S. companies in the Russell 3000 Index are considered zombie companies today, surpassing the previous peak of 17% in 2001.

GRADUAL DECLINE IN WEEKLY CLAIMS

Applications for first-time weekly jobless claim filings fell to 709,000 and another 298,154 filed for benefits under the Federal Government's Pandemic Unemployment Assistance program this past week. While the declining trend is encouraging, the labor market still has a long way to go to fully recover. The number of claim filings is triple its pre-pandemic level and more than 21 million are still collecting benefits from state and federal government programs right now. In addition, two critical emergency programs are set to expire at year-end if there is no congressional action.

MUTED INFLATION PRESSURES

U.S. consumer prices were unchanged in October. On a year-over-year basis, the all-items index rose 1.2%, a slight decline from the 1.4% annualized rate in September. The core measure, which excludes food and energy prices, declined slightly to 1.6% from a year earlier. The data signals that inflation pressures remain muted, as the pandemic continues to weigh on demand.

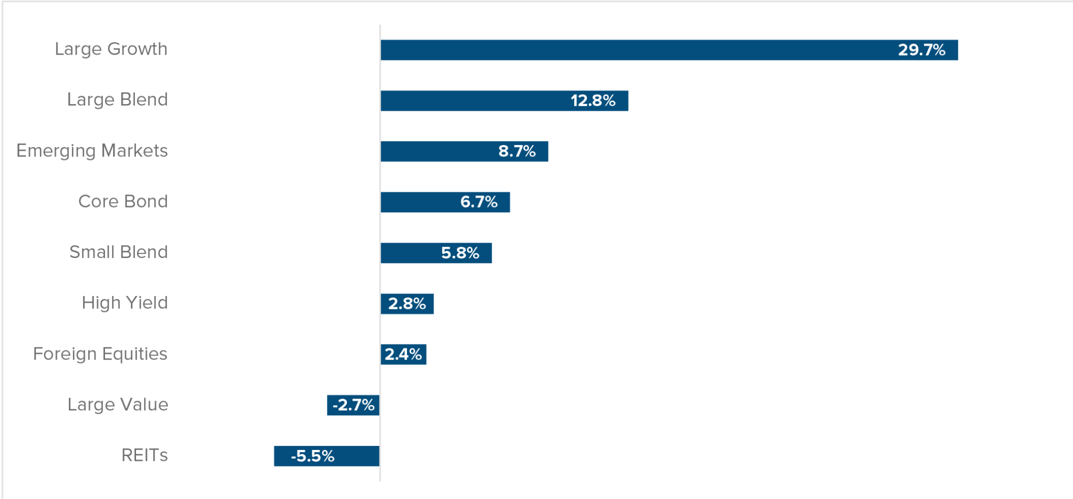
HOUSE PRICES SURGE

The housing market continues to be one of the bright spots in the economy. The National Association of Realtors reported that single family home prices climbed 12.0% on a year-over-year basis, the largest annual gain since 2013. Record low mortgage rates, along with an exodus out of crowded cities during the pandemic, continue to fuel demand for housing. However, the rapid rise in house prices is increasingly pushing first-time buyers out of the market, as affordability continues to diminish.

CONSUMER SENTIMENT DECLINES

The University of Michigan's preliminary estimate of consumer sentiment index fell to a three-month low amid a spike in virus infections, along with talks of tougher restrictions and possible renewed lockdowns. These concerns, along with the election results, are weighing heavily on consumers' outlook for the economy and their finances.

TOTAL RETURNS BY ASSET CLASS YTD AS OF NOVEMBER 13, 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 16, 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.

ABOUT CAMMACK RETIREMENT GROUP

Cammack Retirement Group has been helping retirement plan sponsors meet their goals for half a century. Solely focused on serving retirement plan sponsors, we provide a tailored approach to investment advisory and consulting services. We work with some of the nation's leading academic and research institutions, healthcare providers, corporations, non-profit organizations and public sector employers to help them manage fiduciary risk.

For more information on our services, please contact **Mike Volo,** Senior Partner, at **781.997.1426** or **mvolo@ cammackretirement.com**.

Note: *This feature is to provide general information only, does not constitute legal advice, and cannot be used or substituted for legal or tax advice. Opinions expressed are those of the author and do not necessarily represent the opinions of Cammack Retirement Group.*

Investment products available through Cammack LaRhette Brokerage, Inc. Investment advisory services available through Cammack LaRhette Advisors, LLC. 100 William Street, Suite 215, Wellesley, MA 02481 | p 781-237-2291