CAMMACK RETIREMENT

This Week's Market Moves

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U.S. equity markets climbed to another new record high this week. Vaccine optimism and renewed fiscal stimulus talks drove the broad-based rally in risk assets, despite a weaker than expected labor market report. Here are some other insights on the markets and the economy from last week:

RISK-ON MOOD LIFTS STOCK PRICES

Global stock markets delivered a record-breaking month of performance in November, largely fueled by vaccine breakthroughs. Renewed stimulus talks between House and Senate leaders lifted all the major U.S. equity indices to fresh, new all-time highs. Weekly gains totaled between 1.0% and 2.0%. Healthcare and tech were the big winners on the week, while energy and utility stocks lagged.

SMALL CAP STOCKS SURGE

Small cap stocks are having a phenomenal run of late, with the Russell 2000 Index delivering its best monthly performance in the history of the Index in November, up a whopping 18.4%. While small caps have underperformed large caps during the pandemic-induced recession (this typically happens because small caps are more economically sensitive), recent vaccine breakthroughs have become a tailwind for the sector. Small cap stocks are leading the S&P 500 Index by nearly 11% in the fourth quarter.

DEMAND FOR SAFE HAVENS FADE

Demand for safe havens, such as U.S. Treasuries, gold, and the dollar, is fading as vaccine breakthroughs drive investors into riskier asset classes. This has led longer-maturity bond yields to climb towards the top end of their recent trading range, with the 10-year Treasury flirting with 1.0% again. The U.S. Dollar Index (DXY), which is comprised of a basket of six major trading partners, has also fallen to a multi-year low recently.

INVESTORS FLOCK TO SUSTAINABLE INVESTMENTS

Strategies that incorporate environmental, social and governance (ESG) principles continue to be a growing part of the investable landscape. The 2020 Report on U.S. Sustainable and Impact Investing saw the size of the market grow from $12.0 trillion at the start of 2018 to $17.1 trillion at the start of 2020, a 42% increase. The rapid growth suggests that sustainable investment strategies are no longer a niche focused product, with 33% of all U.S. assets under management now dedicated to some combination of ESG issues.

FLURRY OF MERGERS & ACQUISITIONS

2020 is shaping up to be one of the busiest years since 2008 for the financial services industry. There has been a flurry of activity in banks, asset management, fintech and insurers this year, with deals up 11% from a year ago. Some key deals this year include Aon's purchase of Towers Watson, Morgan Stanley's acquisition of E*Trade and Eaton Vance, S&P Global's purchase of IHS Markit, and Macquarie's recent deal to acquire Waddell & Reed's asset management arm.

INFLATION EXPECTATIONS RISE

The 10-year breakeven inflation rate, the difference between nominal Treasuries and Treasury Inflation Protected Securities (TIPS), rose to its highest level since May 2019 and now sits at 1.89%. Rising inflation expectations suggests that investors have become more confident in the economic recovery following the recent vaccine developments. While inflation is currently below the Fed's 2.0% target, rebounding growth and a more lenient Fed should pave the way for higher inflation over the medium term.

POWELL PUSHES FOR MORE STIMULUS

Fed Chairman Powell reiterated his call on Congress to provide further stimulus to aid the economy, as a new wave of coronavirus cases threaten to derail the recovery before vaccines can be widely distributed. While Washington lawmakers have yet to agree on a scaled-back stimulus plan, economic growth has decelerated from its initial snapback in the third quarter. Although challenges remain, investors are looking past the next few months, anticipating a return to normal by mid-2021.

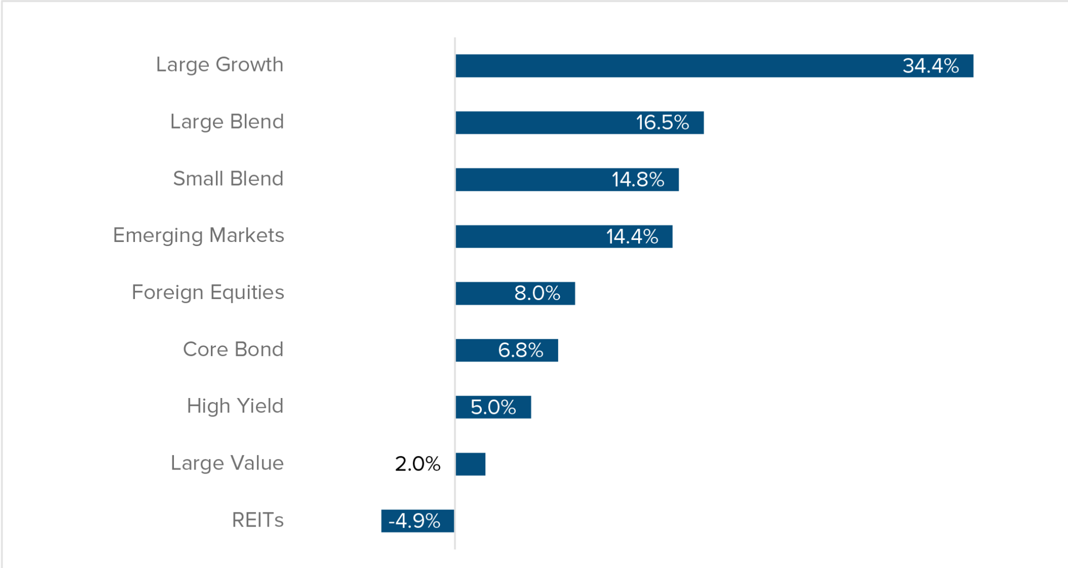
UNEMPLOYMENT CLAIMS REMAIN HIGH

The total number of Americans filing for first-time claims for unemployment benefits fell to 712,000 this past week. Another 288,000 filed for benefits under the Federal Government's Pandemic Unemployment Assistance program, which provides aid to self-employed and gig workers. While the combined total of 1 million is the lowest level since the pandemic started, unemployment claims remain considerably higher than the peak reached during the Great Recession.

NOTABLE SLOWDOWN IN HIRING

The U.S. economy added 245,000 jobs in November, significantly less than the market expected, indicating that rising coronavirus cases and tightening restrictions are beginning to curb the economic recovery. While the unemployment rate fell to 6.7%, this was largely due to a drop in the labor force participation rate, which fell to its lowest level since the 1970s.

TOTAL RETURNS BY ASSET CLASS YTD AS OF DECEMBER 7, 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 December 7, 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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For more information on our services, please contact **Mike Volo,** Senior Partner, at **781.997.1426** or **mvolo@ cammackretirement.com**.

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