This Week's Market Moves

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U.S equity markets seem to be taking heed as the back-and-forth over a new stimulus package continues, leading many to believe they may have to wait until 2021. While the week saw major IPOs, investors are still weary due to surging coronavirus cases and the stalled stimulus talks. Here are some other insights on the markets and the economy from last week:

STOCK RALLY STALLS

Stock prices pulled back from record highs, as the lack of progress on stimulus talks, virus trends, and tech wobbles weighed on market sentiment last week. The major U.S. equity indices closed with a weekly loss between 0.54% and 0.95%. Tech stocks underperformed, as Facebook was slapped with another antitrust lawsuit. Overall, the stall in stimulus talks has been the main driver of the falling prices.

IPO MANIA

Investor demand for IPOs continues unabated and is reaching a fever pitch as year-end approaches. DoorDash, a popular food delivery app, saw its stock price skyrocket over 80%, after its initial debut last week. Another IPO highlight this past week was Airbnb. The stock's initial-public-offering saw approximately 52 million shares sold for a price of $68, and when it began trading, it was already at $146 on the Nasdaq. By the end of Thursday, Airbnb was worth $100.7 billion, based on a fully diluted share count. The lingering pandemic has led to a boom in all things digital and investors appear to be willing to pay up for growth at any price.

BOND YIELDS FALL WITH STALLED STIMULUS NEGOTIATIONS

The 10-year U.S. Treasury yield moved lower after flirting with 1.0% last week. In bond markets, the yield on the 10-year U.S. Treasury note rose to 0.939%, from 0.913% on Tuesday. By the end of the week, the 10-year note fell to 0.90%. This sudden stall in yields follows the same trend as equities, both eyeing the negotiations of a new coronavirus stimulus package.

NEW STIMULUS PACKAGE ON THE WAY?

The silver lining from last week's weaker-than-expected labor market report has led the markets to increasingly expect Congress to enact another stimulus package. Treasury Secretary Mnuchin made a surprise re-entry into talks on a 2020 pandemic relief package, with a $916 billion proposal that opened a potential new path to a year-end deal, despite objections from Democrats over elements of the plan. After largely leaving the task to Senate Majority Leader McConnell since Election Day, Mnuchin pitched a $916 billion stimulus plan to House Speaker Pelosi in a Tuesday afternoon telephone call. After signs of progress amid a bipartisan push for a roughly $900 billion stimulus deal, Senate Republicans suggested Thursday that they could not accept some aspects of the proposals. On Thursday, Speaker Pelosi signaled stimulus negotiations could extend beyond Christmas, but it would be preferable to pass a federal bill before December 18.

CORONAVIRUS VACCINATIONS BEGIN

As the coronavirus case and death counts continue to climb, the U.K. was first out of the gate to start mass administering the recently approved vaccine shot from Pfizer. While the F.D.A. is expected to clear the vaccine for use in the U.S. soon, concerns are rising that supply constraints will limit the number of shots available for high priority groups, such as medical workers and the elderly, at a time when the virus is still raging.

JOBLESS CLAIMS ON THE RISE AGAIN

Applications for U.S. unemployment benefits surged last week, topping estimates with the highest level since September, suggesting that widening business shutdowns to curb the pandemic are spurring fresh job losses. Initial jobless claims in regular state programs rose by 137,000 to 853,000 in the week ending Dec. 5, Labor Department data showed Thursday. On an unadjusted basis, the figure increased by almost 229,000. The prior week included Thanksgiving, and data tends to be volatile around holidays. Continuing claims, or the number of Americans on ongoing unemployment benefits, jumped by 230,000 to 5.76 million in the week ending November 28. It was the first increase since August.

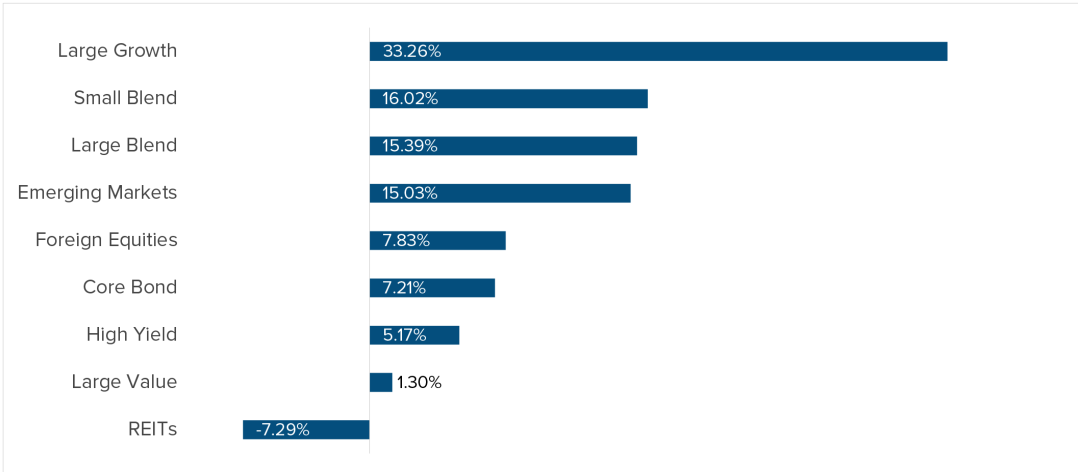
SIGNS OF FUTURE INFLATIONARY PRESSURE

A measure of prices paid by U.S. consumers rose in November by more than forecasted, as costs of hotel stays, airfare and apparel jumped. However, inflationary pressures elsewhere remained subdued, as the pandemic continued to curb activity. The Consumer Price Index rose 0.2% from the prior month, after no change in October, Labor Department data showed Thursday. Compared with the prior year, the gauge rose 1.2%. The Core Index, which excludes volatile food and energy costs, also advanced 0.2% from the prior month and increased 1.6% from a year earlier. Both the Consumer Price Index and Core Index were expected to raise 0.1% for the month.

CONSUMER SENTIMENT BEATS EXPECTATIONS

The total number of Consumer sentiment has shown promising results with the Index at 81.4, beating the market forecasts of 76.5 for the month. Following the election, Democrats are more optimistic, while Republicans have become more pessimistic. These post-election shifts make it difficult to justify and build expectations from this indicator. The Consumer Sentiment Index numbers for the next couple of months will represent the longer-term confidence of Americans under the new administration.

TOTAL RETURNS BY ASSET CLASS YTD AS OF DECEMBER 11, 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 14, 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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