



This Week's Market Moves

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Stimulus talks and the vaccine rollout continued to drive stock prices last week, with the S&P 500 Index delivering a modest weekly gain of 1.29%. Here are some other insights on the markets and economy from last week:

STOCK PRICES GRIND SIDEWAYS

The major U.S. equity indices made new all-time highs, but gains faded towards the end of the week, with the Dow rising 0.46%, S&P 500 Index up 1.29%, and the tech-heavy NASDAQ advancing 3.07%. Stock prices continue to be supported by the vaccine rollout, hopes that another stimulus deal is coming, and the continuation of low interest rates. Information technology and consumer discretionary stocks were among the top performers, while energy and financial stocks lagged.

INFLATION EXPECTATIONS RISE

The bond market is flashing signs that inflation may be around the corner, with the 10-year breakeven rate, the difference between nominal Treasuries and real yield of similar maturities, inching towards 2.0%. Breakeven rates have not been this high since April 2019. The anticipation of a new fiscal stimulus package continues to drive this trend.

NO SURPRISES FROM THE FEDERAL RESERVE

The U.S. Federal Reserve concluded its final meeting of the year this week. The Fed vowed to maintain rates near zero for the foreseeable future and continue with their monthly bond purchases to provide support for the economy. While the market had anticipated the Fed may signal a shift in their composition of their Treasury and mortgage purchases, no changes were announced. Policymakers remain cautious about the recovery over the coming months; however, they did upgrade their economic forecast for 2021, as they expect a strong rebound after vaccines are widely distributed.

BIG JUMP IN CLAIM FILINGS

More than 1.3 million Americans filed for first-time unemployment benefits in last week's jobless claims report. State claim filings rose to a three-month high of 885,000, and another 455,000 Americans filed for Pandemic Unemployment Assistance. The total number of people claiming benefits through all programs rose to 20.6 million. The rise in claim filings suggests that the economic activity and labor market recovery are slowing amid the virus surge and new state restrictions.

RETAIL SPENDING SOFTENS

Consumer spending has held up remarkably well in the pandemic-battered economy. However, the streak appears to be ending, as spending fell for the second consecutive month in November. The decline shows that the steady increase in coronavirus cases, tightening restrictions, and the lack of another round of stimulus is beginning to take a toll on the broader economy. This trend is particularly troubling ahead of the all-important holiday shopping season.

U.S. DOLLAR FALLS TO A NEW MULTI-YEAR LOW

The U.S. Dollar index (DXY) reached a fresh new low for the year, falling below 90 for the first time since early 2018. The U.S. dollar is down about 12.5% from its recent high in late March, when stock markets were in a free-fall. On a year-to-date basis, the dollar has weakened around 7.0% against its main trading partners. The falling U.S. dollar is also providing a lift to emerging markets equities and foreign exchange rates.

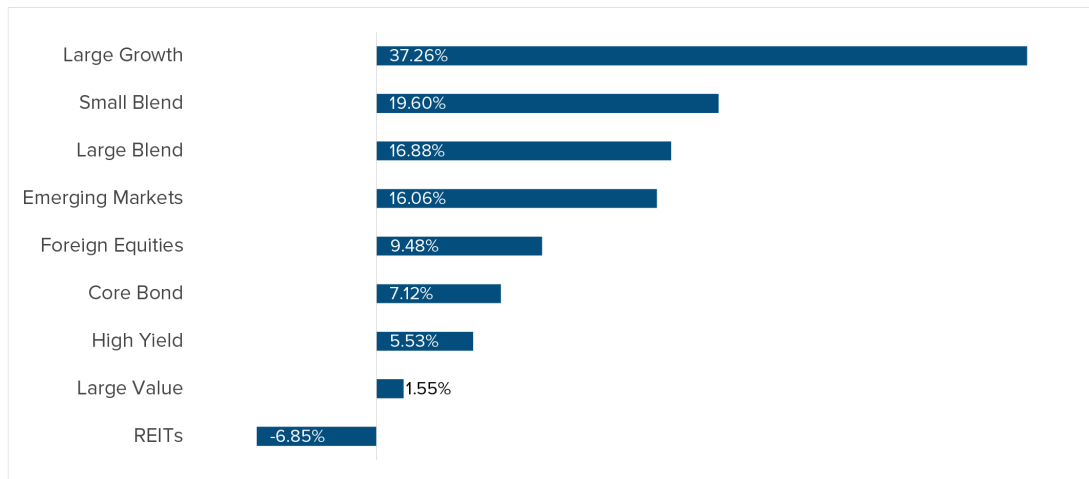
STIMULUS TALKS DRAG ON

House and Senate leaders continue to inch one step closer to striking a compromise on a new \$900 billion COVID-19 relief deal ahead of year-end. While Congressional leaders are still far apart on issues such as aid for state and local governments and lawsuit-protection liability, they seem to be finding common ground on direct payments to individuals, extended unemployment benefits, and help for small businesses.

FIRST TRILLION DOLLAR EQUITY FUND

The shift from active to passive investing is showing no signs of slowing down, as fee-conscious investors continue to favor indexed and exchange traded strategies. This trend has led Vanguard to make history with one of its equity funds becoming the world's first stock fund to reach the \$1 trillion milestone. Vanguard's Total Stock Market Index fund's tremendous asset growth over the last decade has been driven by the rise in index investing, as well as the rapid growth in target date funds. The Total Stock Market index is also the sole U.S. equity holding in Vanguard's target date series.

TOTAL RETURNS BY ASSET CLASS YTD AS OF DECEMBER 18, 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@cammackretirement.com. Note that this article was published on December 21, 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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