

# BECKER WEALTH MANAGEMENT, LLC

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## Vaccine news puts positive charge into equity markets.

**G**ood news on the vaccine front last week put a positive charge into equity markets which after an up and down week left the S&P 500 at a new record high. Uncertainties of CoVid fiscal relief and a December 11th government funding deadline chipped away at Monday's exuberance - the safe bet is that we'll see more vaccine related news well before DC provides any clarity on the fiscal front. The S&P 500 ended last week with a 2.16% gain, taking YTD returns back into double digit territory (+11%). Energy, financials, industrials, and real estate led the way while tech, communications (FB, GOOG), and consumer discretionary (AMZN) lagged. Oil jumped 7% driving commodity markets higher while the yield curve steepened and the USD strengthened mostly against the safe haven Japanese Yen and Swiss Franc.

### Market Anecdotes

- The extraordinary 90% efficacy of the Pfizer vaccine report was far in excess of market expectations, resulting in a massive rotation into cyclical recovery areas of the market and away from technology bellwethers that have been carrying the water most of the year.
- Pfizer's vaccine trial and its 90% efficacy rate is on par with childhood measles and smallpox vaccines, far beyond efficacy expectations, and significantly greater than seasonal flu vaccines (30%-50%). Ten other vaccines are in late-stage trials as well and are expecting similar results.
- Early week reports on vaccine progress, while encouraging, do present risks to the near-term outlook. Logistical challenges, skepticism regarding safety, virus mutations, anticipatory rising yields, and waning urgency for fiscal support are all tangible risk factors looking forward.
- It's become clear that weather does indeed influence CoVid transmission. With winter in the northern hemisphere we are seeing a surge in cases while reported deaths



Photo Source: www.bigstock.com

in the southern hemisphere are 61% below their July peak. U.S. positivity rates are the highest since May.

- The technical backdrop has improved significantly. Strategas noted a surge to 70% of new 20-day highs was one of the highest readings in over 50 years and a sign of encouraging internal momentum. Value, small caps, spreads, and market breadth are also painting a good picture.
- Schumer/McConnell dividing line of \$500b to \$2.2t Hero's Act and the nomination of Judy Shelton for Fed Governor may be setting markets up for some DC negotiation volatility. 13.5mm Americans currently receiving unemployment benefits will lose them at the end of the year.
- FOMC members were busy on the speaking circuit (virtually) last week making the usual post meeting rounds. Ten addresses throughout the week largely reiterating the Fed party line.
- The U.S. Treasury auctioned off \$122b of new paper last week with each coupon being record sized. Thursday's \$27b of 30-year bonds was the largest duration issuance of treasury bonds in U.S. history. No surprise that the uptake was a bit weak.
- A worthwhile reminder is that negative real yields, while troublesome for bonds, are ultra-accommodative to equities. YTD 2020 has seen 5yr, 10yr, and 30yr real yields

move from -0.05%, 0.08%, 0.50% to -1.23%, -0.83%, and -0.24%.

### Economic Release Highlights

- AAI bullish sentiment which has been modest all year despite the rally, surged last week to 55.84% on election outcome and vaccine news. Bespoke noted this is the highest bullish reading since early 2018 and in the top 94% dating back to survey inception in 1987.
- Throughout the new bull market since the March lows, AAI's sentiment reading has notably been a bit of a head scratcher as bullish sentiment remained muted despite the return to new all-time highs. In the last few weeks, optimism had been finally starting to rise but remained relatively modest.
- Headline and core CPI for October came in at 1.2% and 1.6% annual rates respectively while monthly rates for both measures were 0.0% on the button.
- The October NFIB small business optimism index came in slightly below expectations ((104.0 vs 104.8) but held onto September's 3.8 point upside surprise.
- September JOLTS job openings of 6.438 came in lower than expected reflecting a slight uptick in job market activity.
- November (p) UofM consumer sentiment fell unexpectedly to 77.0 (82.0 consensus) from prior month 81.8, in what may reflect the initial part of the election drama.

# INSIGHT

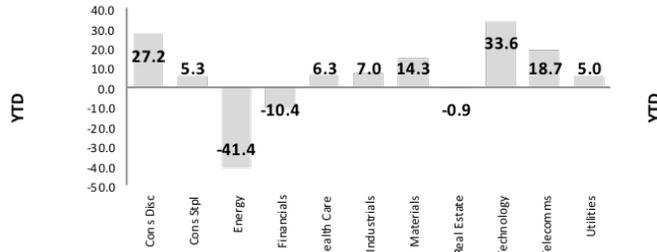
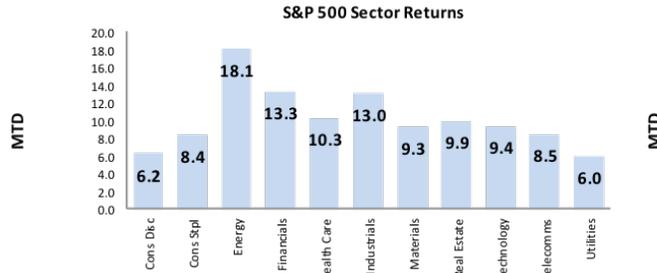
## MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	9/30/20	6/30/20	3/31/20
Dow Jones	29480	4.19	2.95	6.22	5.37	8.62	Oil (WTI)	41.18	40.05	39.27	20.51
NASDAQ	11829	(0.53)	(0.23)	7.35	32.88	40.78	Gold	1940.80	1886.90	1768.10	1609.00
S&P 500	3585	2.21	2.23	6.72	12.77	18.09					
Russell 1000 Growth		(1.27)	(1.13)	6.82	29.75	36.93	<b>Currencies</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
Russell 1000 Value		5.69	5.72	7.87	(2.72)	0.99	USD/Euro (\$/€)	1.18	1.17	1.12	1.10
Russell 2000		6.13	6.66	10.76	5.76	11.32	USD/GBP (\$/£)	1.29	1.30	1.24	1.25
Russell 3000		2.24	2.35	7.53	13.35	18.71	Yen/USD (¥/\$)	103.32	103.32	107.77	107.53
MSCI EAFE		3.89	4.84	5.06	0.59	4.10					
MSCI Emg Mkts		1.03	4.63	8.80	8.96	16.76	<b>Treasury Rates</b>	<b>Current</b>	<b>9/30/20</b>	<b>6/30/20</b>	<b>3/31/20</b>
<b>Fixed Income</b>	<b>ΔYield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	3 Month	0.09	0.10	0.16	0.11
US Aggregate	2.24	0.00	(0.04)	(0.14)	(0.46)	(0.49)	2 Year	0.17	0.13	0.16	0.23
High Yield	5.33	(0.02)	(0.07)	(0.21)	(0.11)	(0.24)	5 Year	0.41	0.28	0.29	0.37
Municipal	1.97	(0.00)	(0.03)	(0.03)	(0.17)	(0.20)	10 Year	0.89	0.69	0.66	0.70
							30 Year	1.65	1.46	1.41	1.35

**Style Returns**

	V	B	G
L	11.48	9.68	8.03
M	11.68	10.36	8.03
S	14.53	13.44	12.43

	V	B	G
L	-2.72	13.88	29.75
M	-1.76	8.46	23.22
S	-6.92	5.76	17.68



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