

BECKER WEALTH MANAGEMENT, LLC

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December brings early presents with big market gains.

December started out very much in sync with the extraordinarily strong November with equity markets posting solid gains and yields moving higher.

Weekly gains and new record highs by the S&P 500 (+1.7%), the R2000 (+2.0%), and the NASDAQ (+2.1%) came despite relatively grim CoVid data and a disappointing November jobs report. Economic data, particularly on the labor front, has translated to glimmers of hope for a CoVid fiscal relief package which both equity and rate markets seems to be focused on. The USD moved sharply lower last week on rumors of a larger fiscal package while commodity markets were relatively flat, albeit with continued rising oil prices.

Market Anecdotes

- The S&P seems to have broken out of its near-term trading range last week, while energy (+10% MTD, +45% late October, +25%+ YTD), and small caps +25% since late October are notable.
- Bespoke made note of another sign of robust breadth we've seen recently with 100% of S&P 500 industry groups trading above their 200 daily moving average.
- DC fiscal negotiations showed signs of life last week with a \$900b bi-partisan package including \$300b of unemployment benefits. We now have a moderate plan, a McConnell plan, a potential revised Pelosi plan, and Powell/Yellen/Biden calling for action now.
- The Georgia senate runoff races are tightening based on both polls and betting market odds which have taken odds of a Republican senate down from 87% on November 3rd to 70% last week.
- Friday saw a House vote (228-164) to



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remove marijuana as a prohibited drug under the Controlled Substances Act in a largely symbolic act but notable nonetheless as five Republicans voted in support of the measure.

- Monday's announcement of Moderna requesting emergency vaccine use authorization from the FDA marked the fourth consecutive positive CoVid news Monday open.
- Last week saw 10 Fed speaking engagements including two from Jerome Powell where he stressed the importance of Fed lending programs and urged Congress to use the \$455b in unused CARES Act funding.
- Real yields have fallen even as nominal yields have moved slightly higher, highlighting an interesting inflation dynamic and an overtly stimulative interest rate environment.
- The yield curve steepened notably last week with the 10-2-year spread moving from 68 basis points to 81 basis points during the week.
- The famous Milton Friedman com-

ment, "we're all Keynesians now" feels particularly prescient now with over \$21t in U.S. government debt and \$500b to \$1t being thrown around like a band aid. The low-rate underpinning is terrific; but for every 100bps increase in coupon rate, it costs an additional \$210b in annual interest expense..

Economic Release Highlights

- November jobs report confirmed a slowing backdrop with 'only' 245,000 new jobs, down from 611,000 in October, and a headline unemployment rate of 6.7%.
- November's U.S. ISM Manufacturing and Services readings of 57.5 and 55.9 respectively show a resilient U.S. economy, certainly among mid and larger sized businesses.
- November's Global manufacturing PMI climbed from 53 to 53.7 and 74% of countries in the index registered above a 50 reading.
- October Pending Homes Sales missed consensus (-1.1% v +2.0%) and fell for a second straight month.

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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	30218	1.16	8.91	7.99	8.28	11.87	Oil (WTI)	45.20	40.05	39.27	20.51
NASDAQ	12464	2.14	7.66	10.39	40.10	46.84	Gold	1779.30	1886.90	1768.10	1609.00
S&P 500	3699	1.72	7.65	8.39	16.50	21.08					
Russell 1000 Growth		1.63	4.77	7.27	34.36	40.01					
Russell 1000 Value		1.89	12.58	12.98	2.01	5.50					
Russell 2000		2.04	17.33	23.65	14.84	18.91					
Russell 3000		1.78	8.97	10.75	18.40	22.90					
MSCI EAFE		1.03	12.13	12.89	5.85	9.72					
MSCI Emg Mkts		1.66	10.25	14.14	14.74	23.78					
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Treasury Rates	Current	9/30/20	6/30/20	3/31/20
US Aggregate	2.21	(0.02)	(0.03)	(0.12)	(0.49)	(0.50)	3 Month	0.09	0.10	0.16	0.11
High Yield	5.18	(0.08)	(0.16)	(0.28)	(0.25)	(0.37)	2 Year	0.16	0.13	0.16	0.23
Municipal	1.94	(0.02)	(0.04)	(0.07)	(0.21)	(0.21)	5 Year	0.42	0.28	0.29	0.37
							10 Year	0.97	0.69	0.66	0.70
							30 Year	1.73	1.46	1.41	1.35

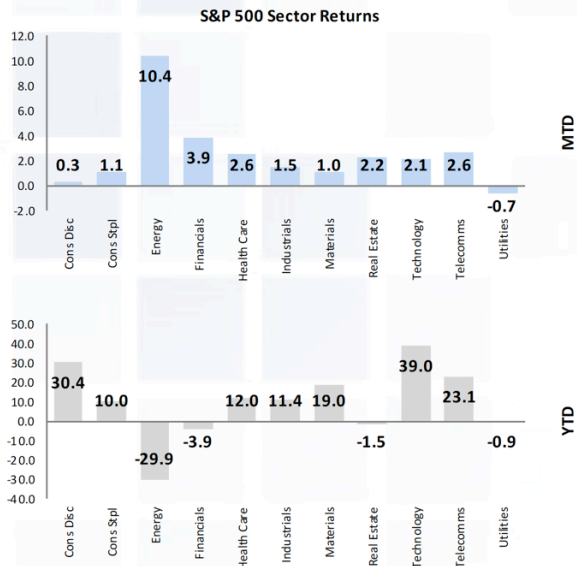
Style Returns

	V	B	G
L	3.04	2.24	1.48
M	3.38	2.68	1.43
S	5.58	4.01	2.52

MTD

	V	B	G
L	2.01	18.65	34.36
M	3.71	14.86	31.23
S	2.37	14.84	26.23

YTD



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