

Global Economy

Global equity markets rallied in the month as investors cheered a barrage of positive COVID-19 vaccine news. Encouraging data around the safety and effectiveness of three different vaccines more than offset negative sentiment from the ongoing surge in the virus which continues to see record cases in both the US and abroad. Logistical challenges remain around production and distribution of the vaccines, but a firmer timeline is beginning to emerge for the defeat of the virus. Meanwhile pressure is mounting on Congress to pass further stimulus in the lame duck session, with the upcoming expiration of key CARES Act provisions set to kick millions off unemployment by year-end. Potential for bumps in the road linger with case counts soaring and congressional gridlock a threat to timely stimulus. Caution remains prudent, but investors can look for more certainty ahead as hope grows for a return to normalcy in 2021.

The Federal Open Market Committee met in November but did not change policy rates, a widely expected outcome. The meeting statement was little changed from September's. Also in the month, the US Treasury opted not to extend several joint Fed/Treasury programs - the Main Street Lending Program, the Municipal Liquidity Facility, the two corporate credit facilities, and the Term Asset-Backed Securities Loan Facility - past year-end, prompting a rare rebuke from the Central Bank. After a rapid expansion, the Fed balance sheet has remained stable in recent months as strained financial conditions have eased, advancing modestly in November to a new high of \$7.24 trillion.

The second estimate of 3Q-20 real GDP indicated the US GDP expanded at a record rate of +33.1% annualized, matching the first estimate. Upward revisions to residential and nonresidential investment and exports were offset by downward revisions to state and local government spending, private inventory investment, and personal consumption. Analysts expect growth to moderate in the 4th quarter, with estimates ranging from +2% to +11%.

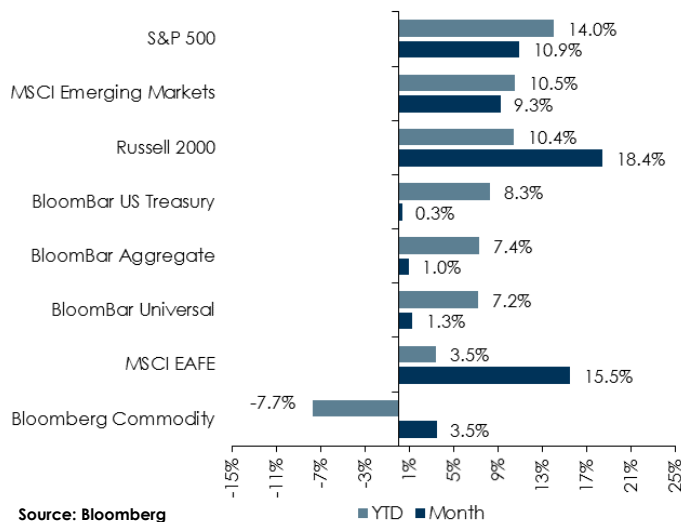
More than 69 million US workers have filed initial unemployment claims since mid-March. Unemployment fell to 6.7%, but the labor market recovery has slowed as weekly new claims trended slightly upward in the month. In November, notable job gains occurred in transportation and warehousing, professional & business services, and health care, while losses occurred in the government and retail trade sectors. Core CPI fell slightly to +1.6% year-over-year, while the FOMC's preferred measure, Core PCE, also fell to +1.4% year-over-year through October.

	Current	Dec-19
US GDP (%)	33.10	2.10
US Unemployment (%)	6.70	3.50
CPI (Core) (%)	1.60	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.84	1.92
S&P 500 Div Yld (%)	1.66	1.82
S&P 500 P/E (Trailing)	28.39	21.60
Gold/oz.	\$1,775.70	\$1,523.10
Oil (Crude)	\$45.34	\$61.06
Gasoline (Natl Avg)	\$2.21	\$2.66
USD/Euro	\$1.19	\$1.12
USD/GBP	\$1.33	\$1.33
Yen/USD	¥104.31	¥108.61

Source: Bloomberg

Global Markets

Key Market Indices



All major equity indices posted strong returns in November, as equity markets responded positively to election results followed by several announcements of positive vaccine news to sustain the rally. The S&P 500 posted a robust 10.9% return to move to +14.0% YTD. Energy (+26.6%) was the top performing sector by far with Utilities (+0.3%) lagging. All other sectors ranged between +7% and +17% returns for the month. Small cap stocks, as represented by the Russell 2000, outperformed large caps with a +18.4% return. Energy (+29.5%) was again the leader while no sector posted a return below 10%. The Utilities sector (+10.4%) was the laggard. Value outperformed Growth across the market cap spectrum.

In the broad international developed markets, the MSCI EAFE index gained +15.5% with all sectors and countries positive for the month. Energy (+35.5%) and Financials (+22.9%) were the best performers, while Consumer Staples (+8.5%) was the laggard and only sector <10%. All developed countries were positive for the month with Austria (+32.1%), Spain (+29.5%), and Italy (+26.9%) the top performers and most others generally in the +10.0% to +20.0% range. Switzerland (+9.3%), Denmark (+9.6%) and Israel (+9.7%) had the lowest developed market performance.

Emerging market stocks, as represented by the MSCI Emerging Markets index, underperformed their developed market counterparts at +9.3%. Greece (+30.7%), Poland (+28.2%), and Hungary (+26.7%) were the best performers in the month. China was the laggard at +2.8% but remains among the leaders for YTD performance at +26.2%.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, performed in-line with equities with a +10.9% return. The energy-related Alerian MLP index outperformed other equities at +23.8%. The near-month NYMEX oil also rallied (+26.7%) but remains off by -25.8% year-to-date. Gold was negative in the risk-on environment with a -5.5% return. The diversified Bloomberg Commodity index was more modestly positive for the month at +3.5%, with precious metals weighing on returns but other sub-components generally positive.

Global Markets (continued)

US Treasury yields ended the month slightly lower and the curve flattened. Mid-month saw the 10-year Treasury yield reach its highest point since March before rates declined in the latter half of the month as rising virus cases and renewed lockdowns seemed to caution fixed income investors more than those in the equity markets. The overall UST complex was positive for the month at +0.4%, with year-to-date returns at an impressive +8.3%. Sovereign yields outside of the US were mostly lower, and the global stock of negative yielding debt increased to \$17.7 trillion from \$16.5 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads closed the month tighter. With a 1.0% return in November, the 12-month performance of +7.3% remains impressive given prevailing yield levels. IG corporate issuance remained high but solid 3Q earnings and the increased appetite for risk kept demand strong and helped spreads tighten by 21 bps. With tighter spreads across most categories and lower UST yields, the benchmark's yield-to-worst fell 9 bps to just 1.15%.

The BloomBar 1-15-Year Municipal index outperformed US Treasuries, returning +1.1% in November. The exceptionally high issuance driven by election uncertainty in October was followed by November issuance of less than a quarter of October's level. Demand remained strong, and the favorable supply/demand imbalance pushed tax-exempt yields lower in the month with a flattening curve. A split congress dims the prospects for stimulus aimed at state and local municipalities, but positive vaccine news still boosted investor sentiment.

The BloomBar US Corporate High Yield index returned +4.0% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 96 bps wider on average, supported by falling supply and risk-on market sentiment. All-in yields fell significantly in the month from 5.78% to 4.70%. The trailing 12-month default rate trended slightly higher in November, with Energy contributing significantly to the default total. Bank loans continued to recover while emerging market bonds tracked other risk-assets with strong performance in the month.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.03	-0.02
Germany	-0.57	-0.19
France	-0.33	0.12
United Kingdom	0.30	0.82
Spain	0.08	0.46
United States	0.84	1.92
Italy	0.63	1.41
Mexico	5.78	6.89
Brazil	7.96	6.79

Source: Bloomberg

Indices Report (Periods Ending November 30, 2020)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	10.95	14.02	17.46	13.17	13.99	14.19	9.61
Russell 1000	11.78	16.06	19.41	13.66	14.23	14.27	9.77
Russell 1000 Growth	10.24	32.40	36.40	21.47	19.56	17.31	12.18
Russell 1000 Value	13.45	-1.00	1.72	5.25	8.44	10.93	7.11
Russell 2500	16.29	11.51	13.86	8.76	11.06	11.97	9.03
Russell 2000	18.43	10.41	13.59	7.09	10.25	11.13	8.28
Russell 2000 Growth	17.63	23.12	25.95	12.83	13.19	13.30	10.02
Russell 2000 Value	19.31	-3.05	0.35	0.80	6.83	8.70	6.32
Wilshire 5000 Cap Wtd	12.03	15.64	19.02	13.21	14.05	14.05	9.73
MSCI ACWI	12.36	11.60	15.58	9.56	11.44	9.99	7.62
MSCI ACWI ex US	13.46	5.40	10.00	4.31	7.89	5.64	5.32
MSCI EAFE	15.51	3.45	6.83	3.77	6.70	6.35	4.97
MSCI EAFE Local Currency	13.12	-1.18	0.16	3.06	5.22	7.56	4.70
MSCI EAFE Growth	12.29	13.15	16.40	8.95	9.70	8.21	6.56
MSCI EAFE Value	18.95	-6.27	-2.83	-1.57	3.52	4.35	3.26
MSCI Emerging Markets	9.25	10.51	18.83	5.31	11.13	3.97	6.85
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.05	3.06	3.28	2.73	1.87	1.28	2.27
BloomBar US Aggregate	0.98	7.36	7.28	5.45	4.34	3.71	4.54
BloomBar Gov't Bond	0.34	8.18	7.58	5.35	3.77	3.12	4.07
BloomBar US Credit	2.55	8.85	9.17	6.92	6.18	5.25	5.63
BloomBar 10 Yr Municipal	1.49	4.98	5.39	5.08	4.09	4.55	4.84
BloomBar US Corp High Yield	3.96	5.13	7.24	5.68	7.63	6.79	7.43
FTSE World Gov't Bond	1.57	8.63	8.93	4.54	4.68	2.36	3.87
BloomBar Global Aggregate	1.82	7.75	8.38	4.50	4.62	2.82	4.07
BloomBar Multiverse	1.98	7.50	8.25	4.47	4.78	2.98	4.19
Real Assets							
NCREIF Property	0.00	0.45	2.01	5.11	6.28	9.37	7.43
NFI ODCE Net	0.00	-0.75	0.51	4.25	5.69	9.25	5.71
FTSE NAREIT US Real Estate	10.92	-10.93	-11.46	2.22	4.48	8.45	6.28
Bloomberg Commodity	3.51	-7.71	-3.06	-3.15	-0.57	-6.00	-4.12
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.66	0.80	1.64	1.20	0.64	1.26

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