CAPITAL INVESTMENT ADVISORY SERVICES
INTEGRITY • INDEPENDENCE • INNOVATION

Market Down & Dirty

Last Week's Economic/Market Summary – November 16, 2020

Data

- U.S. equity indices moved mostly higher last week.
    - S&P 500 +2.2%, Dow +4.2%, Russell 2000 +6.1%, Nasdaq -0.50%[1]
        - The All-Country World Index was up 2.22%.[1]
    - S&P 500 sub-sectors were almost all higher on the week.
        - Energy led to the upside by a wide margin with a gain of 17.11%.[1]
        - Technology was the only negative sector, ending down 0.31%.[1]
    - The CBOE Volatility Index (VIX) lost 7% to end the week at 23.01. [1]

- US Treasury bond yields rose across the board on the risk-on buying last week.
    - US 2yr +0.03% at 0.18%, 10yr +0.08% to 0.90%, 30yr +0.05% to 1.65%.[1]
    - Treasuries were dumped in mass Monday only to be bought back the rest of the week.

- Commodities as an aggregate asset class moved higher last week.
    - WTI Crude gained 8%.[1]
    - Gold fell over 3%.[1]
    - The US Dollar index was up 0.53%.[1]

- In our opinion, U.S. economic data was mixed last week.
    - Unemployment claims came in better than expected. [1]
    - Consumer confidence sank vs previous readings. [1]
    - Mortgage delinquencies declined on the month. [1]

- An index of equities outside the US (FTSE All-World ex-US) was up over 7% last week. [1]

[1] Source: Bloomberg – 11/13/2020

Conclusion

- US equity markets mostly rose last week as optimism over a Covid-19 vaccine seemed to raise hopes of an economic recovery next year..
    - S&P 500 +2.2%, Dow +4.2%, Russell 2000 +6.1%, Nasdaq -0.50%
    - Hopes for a near-term vaccine breakthrough last Monday led to the largest single day outperformance of the "value" factor vs. momentum.[2]
        - This outperformance was in the companies that have underperformed all year…some names to the tune of 50-75% below what the market has returned. (Airlines, Cruises, Hotels, Energy, etc)
        - We believe this could have been caused by a substantial amount of short-covering by large institutions that have been betting against these beaten up areas of the economy all year.
    - Interesting to note that last Monday's vaccine-powered rally caused the S&P 500 to break out of the trading range expected by the options market for the 3rd week in a row.[2]
- S&P 500 sub-sectors moved mostly higher last week.
    - Energy was the leader last week with a gain of over 17%.[2]
        - Monday was the largest 1 day outperformance of Energy vs the Nasdaq on record.[2]
        - Financials, Industrials, & Real Estate all gained more than 5% on the week.[2]
    - Technology was the sole losing sector last week as it ended down 0.31%.
        - This has been the dominant sector all year and we believe a period of underperformance doesn't necessarily mean tech co's are in trouble.
- US Treasuries were dumped en masse on Monday's vaccine news, but investors spent the rest of the week buying them back as surging virus cases took over the narrative.
    - All eyes in the world's most important debt market were on the 1% level on 10-year Treasuries last week, as a volatile, post-election sell-off pushed the implied yield on futures within a hair of touching that mark for the first time since March.[2]
    - We continue to point out the large bet against long-duration Treasuries by the inst'l crowd.
- Asia Pacific nations including China, Japan and South Korea on Sunday signed the world's largest regional free-trade agreement.[2]
    - This came after the Chinese "Singles Day" posted the largest online shopping day ever with goods purchased to the tune of $51 billion.[2]
        - Compare this with 2019's US Thanksgiving weekend of $28.4 billion.[2]
- Historically, flows into the stock market have increased after US elections.
    - According to EPFR Global, stock funds tallied their largest inflow in 20 years last week.

Ryan A. Mumy, CFP®, AIF® - Chief Investment Officer
Contact: 828/855-9400 or info@CIASonline.com or rmumy@bloomberg.net

[2] Source: Bloomberg – 11/13/2020