

Weekly Market Insights

November 23, 2020

A wary market pauses

Equity Markets

U.S. equity markets paused this week from their steady, upward climb. The reasons are obvious, and we all know them—COVID-19 and national politics. There are, of course, economic statistics that indicate a possible slowdown of the economy, but their direction is the result of the pandemic.

The Dow closed down 0.73%, the S&P 500 down 0.77% and the NASDAQ up 0.22%. Investors should not be particularly surprised by this past week's performance.

The Economy

The economy showed signs of slowing this past week. This should come as a surprise to no one. A number of news items appear to have shaken investor confidence. As predicted by most of the medical community, the virus has come back with a vengeance this fall. Investors had the difficult task of weighing the excellent news concerning at least two possible vaccines and the rapid increase of COVID-19 infections. Investors appear to have put aside their enthusiasm for the vaccines and replaced it with concern about the resurgences of the virus. There are a number of understandable reasons for this. The return of the virus is immediate and its ramifications are reflected in current economic releases. It is particularly obvious in labor statistics and will be very obvious in retail sales numbers. As the virus advances, these numbers will most likely continue to deteriorate. It will be important for investor confidence to get further information about the vaccines. Two significant questions are, when will vaccines be widely available and will the public take them?

Two items that have put fear into the market. First, was the government's inability to come to an agreement with respect to a new COVID-19 relief package or an extension of the previous one. Next, was the surprise announcement by Treasury Secretary Mnuchin cutting off some of the Fed's relief lending facilities. The timing appears odd, as the pandemic is accelerating and unemployment is growing. This announcement was made despite the objections of the Fed. An interesting post-election caprice. Perhaps both parties should reread Hobbes and the necessity of governmental aid.

Of course, the questions concerning the virus will most likely be answered by the turn of the year. Political questions will be settled, but the timing is harder to predict.

International

Just a few words about the international economy and its relation to the U.S. economy. Most Americans are well aware of Mr. Trump's views on trade. What might we expect from a Biden presidency?

It should not be overwhelmingly difficult to get a sense of his views because of his long tenure as Chair of the Senate Foreign Relations Committee.

Mr. Biden is an advocate of free but fair trade. He is an excellent negotiator and investors should expect a far less public airing of trade disputes. He, like most American politicians, has strong issues with China. He will probably focus on access to China's markets and intellectual property theft, but we don't think high tariffs will be a Biden trademark.

Weekly Market Insights (cont'd)

He will be a friend to Europe and England. As we wrote a while ago, he will undergo a strong effort to re-negotiate the Transpacific Partnership. In this case, he should be business friendly.

It will be fascinating to hear his cabinet choices.

Conclusion

Clearly, more than investment analysis is needed to have a great deal of confidence as to where the equity markets will be in the short-term. Most likely, there will be a degree of volatility, with an excellent chance the markets will end the year not very far from where they are today.

*From all of us at 1919 Investment Counsel to all of you,
have a safe and Happy Thanksgiving!*

Michael Olin Clark moclark@1919ic.com | Ryan Schutte rschutte@1919ic.com

Please click [here](#) for the updated Economic Release Calendar - November 2020.

The views expressed are subject to change. Any data cited have been obtained from sources believed to be reliable.
The accuracy and completeness of data cannot be guaranteed. Past performance is no guarantee of future results.

Please visit us at 1919ic.com

Follow us 