

Weekly Update

Oil Prices Surge on Optimistic Outlook

December 11, 2020

The Economy

- Oil prices, as measured by Brent crude oil, continued to advance during the week ending December 11, and reached over \$50 per barrel for the first time since early March. The months-long recovery in oil prices has been driven by a combination of supply reductions and increased automobile travel. In recent weeks, oil has risen along with stocks and other commodities on hopes for a resurgence in the global economy in 2021.
- Consumer credit expanded by \$7.2 billion in October after growing by \$15.1 billion in the prior month. Revolving credit (which includes credit cards) contracted by 6.7% during the month; credit-card balances fell by approximately \$10 billion during the third quarter. The data suggests that the expiration of unemployment benefits contributed to the decline in consumer borrowing. Consequently, the savings rate for households has widened sharply during the pandemic.
- The number of job openings (a measure of labor demand) rose by a better-than-expected 158,000 to 6.65 million in October, according to the Department of Labor. Economists warned that widespread restrictions by state and local governments on businesses could severely limit the number of job openings in the months ahead.
- Consumer prices increased by 0.2% in November (both including and excluding volatile food and energy prices), according to the Department of Labor's consumer-price index, signaling that inflation has been restrained. Despite forecasts calling for higher prices on strengthening demand, inflation is expected to remain modest in the near term.
- Producer prices advanced in October for the seventh consecutive month, as measured by the Department of Labor's producer-price index (which tracks the average change in prices that producers receive for goods and services). The lower-than-expected 0.1% increase was driven by a jump in food prices. Inflation is expected to remain flat in upcoming months.
- Mortgage-purchase applications dropped by 5.0% for the week ending December 4, while refinancing applications increased by 2.0%. The average interest rate on a 30-year fixed-rate mortgage was unchanged at 2.71%.
- Initial jobless claims increased by a greater-than-anticipated 137,000 to 853,000 during the week ending December 5. New applications for unemployment benefits remained stubbornly high. Overall, the report suggests that jobless claims have not stagnated as initially expected, but worsened as the pandemic restrained the labor market.
- Economic activity in Japan advanced by 5.3% during the third quarter. A sharp rise in household spending drove the economic recovery. Household spending in Japan improved by 2.1% in October.
- The Bank of Canada held its policy rate firm at a historically low 0.25% following its final 2020 meeting on December 9. The central bank noted that it will likely remain accommodative—keeping rates low and maintaining its asset-purchase program—until its 2% inflation target is reached, which is not expected to occur until 2023.

Stocks

- Global equity markets closed lower for the week. Emerging markets led developed markets.
- U.S. equities were deep in negative territory. Energy and telecommunications were the top performers, while financials and information technology lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved lower to 0.89%. Global bond markets were in positive territory this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

| The Numbers as of December 11, 2020 | 1 Week | YTD | 1 Year | Friday's Close |
|---|--------|--------|--------|-------------------|
| Global Equity Indexes | | | | |
| MSCI ACWI (\$) | -0.3% | 11.6% | 14.3% | 631.1 |
| MSCI EAFE (\$) | -0.1% | 3.1% | 5.5% | 2100.0 |
| MSCI Emerging Mkts (\$) | 0.3% | 12.6% | 17.2% | 1255.0 |
| U.S. & Canadian Equities | | | | |
| Dow Jones Industrials (\$) | -0.6% | 5.2% | 6.8% | 30034.2 |
| S&P 500 (\$) | -0.9% | 13.4% | 15.7% | 3665.1 |
| NASDAQ (\$) | -0.8% | 37.8% | 41.9% | 12365.7 |
| S&P/TSX Composite (C\$) | 0.1% | 2.8% | 3.5% | 17544.8 |
| U.K. & European Equities | | | | |
| FTSE All-Share (£) | -0.6% | -12.3% | -8.8% | 3680.4 |
| MSCI Europe ex UK (€) | -0.1% | -2.0% | -0.8% | 1410.4 |
| Asian Equities | | | | |
| Topix (¥) | 0.3% | 3.5% | 4.0% | 1782.0 |
| Hong Kong Hang Seng (\$) | -1.2% | -6.0% | -1.8% | 26505.9 |
| MSCI Asia Pac. Ex-Japan (\$) | 0.3% | 16.4% | 20.4% | 643.5 |
| Latin American Equities | | | | |
| MSCI EMF Latin America (\$) | 2.1% | -17.1% | -14.1% | 2417.7 |
| Mexican Bolsa (peso) | 0.0% | 0.2% | 1.0% | 43625.1 |
| Brazilian Bovespa (real) | 1.4% | -0.3% | 2.8% | 115326.8 |
| Commodities (\$) | | | | |
| West Texas Intermediate Spot | 0.4% | -23.9% | -21.5% | 46.5 |
| Gold Spot Price | 0.4% | 21.0% | 25.5% | 1842.1 |
| Global Bond Indexes (\$) | | | | |
| Barclays Global Aggregate (\$) | 0.3% | 8.4% | 9.0% | 554.5 |
| JPMorgan Emerging Mkt Bond | 0.0% | 4.6% | 5.6% | 922.5 |
| 10-Year Yield Change (basis points*) | | | | |
| US Treasury | -8 | -103 | -100 | 0.89% |
| UK Gilt | -18 | -65 | -65 | 0.17% |
| German Bund | -9 | -45 | -37 | -0.64% |
| Japan Govt Bond | -1 | 3 | 3 | 0.01% |
| Canada Govt Bond | -8 | -99 | -96 | 0.71% |
| Currency Returns** | | | | |
| US\$ per euro | -0.1% | 8.0% | 8.8% | 1.211 |
| Yen per US\$ | -0.1% | -4.2% | -4.8% | 104.05 |
| US\$ per £ | -1.7% | -0.3% | 0.4% | 1.322 |
| C\$ per US\$ | -0.1% | -1.7% | -3.2% | 1.277 |

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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