Weekly Update
Soft Holiday Sales Signal Cooling Recovery
December 18, 2020

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The Economy

- Retail sales fell by 1.1% in November, marking the first monthly loss in sales in seven months, reflecting a weak start to the holiday shopping season—and signaling that the U.S. economic recovery is losing momentum on a resurgence of coronavirus infections and return to government-enforced business restrictions. Consumer spending accounts for about 70% of U.S. economic activity.
- Industrial production advanced for the seventh consecutive month in November, with a 0.4% gain that was fueled primarily by a 5.3% surge in the production of motor vehicles. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) increased by 0.3% to 73.3%. Manufacturing output gained 0.8% for the month.
- Preliminary estimates for the December reading of Markit's U.S. purchasing managers' index showed that manufacturing activity remained in expansion territory (above 50), but slowed from 56.7 to 56.5. Services activity also softened, moving to 55.3 for December from 58.4 in the prior month.
- Total import prices inched 0.1% higher in November. Petroleum prices jumped by 2.1% during the month, while the cost of imported vehicles generally declined. Export prices rose by 0.6% on higher agricultural and non-agricultural costs. Overall, inflation remained moderate.
- Market conditions for single-family homes slid from a record-breaking 90 in November to 86 in December, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Lower sales expectations anchored the reading; however, housing maintained a strong footing due to a combination of ultra-low mortgage rates and robust demand for single-family homes.
- U.S. economic health improved by 0.6% in November, in line with the prior month, as measured by the Conference Board's Leading Economic Index (a leading indicator is defined as an economic factor that changes before the rest of the economy begins to move in a particular direction). Growth is expected to weaken in the months ahead as the pandemic worsens.
- Mortgage-purchase applications picked up by 2.0% for the week ending December 11, while refinancing applications increased by 1.0%. The average interest rate on a 30-year fixed-rate mortgage fell from 2.71% to 2.67%.
- Initial jobless claims increased by 23,000 to 885,000 during the week ending December 12. This represents a three-month high for unemployment claims. Overall, the reading suggested that jobless claims have not stagnated as initially expected, but worsened as the pandemic restrained the labor market.

Stocks

- Global equity markets closed higher for the week. Developed markets led emerging markets.
- U.S. equities were in positive territory. Information technology and consumer discretionary were the top performers, while energy and telecommunications lagged. Growth stocks led value, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.94%. 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 18, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.9%	13.6%	14.4%	641.9
MSCI EAFE ($)	2.4%	5.1%	5.8%	2141.3
MSCI Emerging Mkts ($)	1.2%	14.2%	15.0%	1273.0
U.S. & Canadian Equities				
Dow Jones Industrials ($)	0.5%	5.8%	6.4%	30187.9
S&P 500 ($)	0.9%	14.5%	15.4%	3697.9
NASDAQ ($)	3.1%	42.2%	43.5%	12755.6
S&P/ TSX Composite (C$)	-0.2%	2.7%	2.7%	17519.5
U.K. & European Equities				
FTSE All-Share (£)	0.3%	-12.1%	-12.2%	3689.8
MSCI Europe ex UK (€)	1.7%	-0.9%	-0.8%	1425.6
Asian Equities				
Topix (¥)	0.6%	4.2%	3.3%	1793.2
Hong Kong Hang Seng ($)	0.0%	-6.0%	-4.7%	26498.6
MSCI Asia Pac. Ex-Japan ($)	1.2%	18.0%	18.7%	651.9
Latin American Equities				
MSCI EMF Latin America ($)	3.4%	-14.6%	-14.3%	2492.5
Mexican Bolsa (peso)	0.7%	0.8%	-1.7%	43906.7
Brazilian Bovespa (real)	2.5%	2.0%	2.5%	117970.2
Commodities ($)				
West Texas Intermediate Spot	5.4%	-19.6%	-19.8%	49.1
Gold Spot Price	2.3%	23.7%	27.3%	1884.2
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	0.5%	9.0%	9.6%	557.6
JPMorgan Emerging Mkt Bond	0.6%	5.5%	5.9%	930.1
10-Year Yield Change (basis points*)				
US Treasury	5	-98	-98	0.94%
UK Gilt	8	-57	-55	0.25%
German Bund	6	-39	-34	-0.57%
Japan Govt Bond	0	2	1	0.01%
Canada Govt Bond	3	-96	-92	0.74%
Currency Returns**				
US$ per euro	1.1%	9.2%	10.1%	1.225
Yen per US$	-0.7%	-4.9%	-5.5%	103.31
US$ per £	2.0%	1.8%	3.7%	1.350
C$ per US$	0.2%	-1.5%	-2.5%	1.279

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.