WALL STREET REJOICES AT THE NOTION OF A DIVIDED CONGRESS AND LEAPS TO BEST WEEKLY GAIN SINCE APRIL

- U.S. stock markets erased all of last week's big losses and then some, as Wall Street seemed to rejoice in knowing that there might very well be a divided Congress and despite the fact that a presidential winner had yet to be declared
- NASDAQ jumped a stunning 9.0%, followed by a 7.3% rally in the S&P 500 and gains of 6.9% for both the DJIA and the smaller-cap Russell 2000
- All 11 sectors of the S&P 500 made big strides, except for the Energy sector which increased a very modest 0.8%
- Information Technology led the way with a gain of 9.7% and nine other sectors rose more than 2.5% on the week
- The week's news of course was dominated by the 2020 elections, with Biden leading Trump in confirmed electoral votes by the time the markets closed Friday, but Wall Street seemed more pleased that the House of Representatives and the Senate will likely remain controlled by opposing parties
- Nonfarm payrolls increased by 638,000 in October, more than expectations of about 575,000, and pushing the unemployment rate to 6.9%
- The ISM Manufacturing Index jumped to 59.3%, well beyond expectations and an increase from 55.4% in September
- The Federal Reserve met this week and left the federal funds rate unchanged, which everyone seemed to expect
- The 2-year Treasury yield increased to 0.16% and the 10-year yield ended at 0.82%
- The U.S. Dollar Index fell 1.9%
- WTI crude increased 4.0% to just over $37/barrel

Weekly Market Update – November 6, 2020

	Close	Week	YTD
DJIA	28,323	6.9%	-0.8%
S&P 500	3,509	7.3%	8.6%
NASDAQ	11,895	9.0%	32.6%
Russell 2000	1,644	6.9%	-1.4%
MSCI EAFE	1,916	7.6%	-5.9%
Bond Index*	2,377.02	0.44%	6.83%
10-Year Treasury	0.82%	0.02%	-1.1%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

Stocks Leap on Hopes of a Divided Congress

Stocks leapt on the week and recorded their largest weekly increase since April, despite not knowing who our next president will be. By the time the markets closed Friday, it appeared that Biden had a clearer path to the White House, but Wall Street seemed almost giddy that there would not be a political party controlling the House of Representatives and the Senate at the same time.

While it will likely be some time until this is confirmed, the prospect of additional stimulus and fewer taxes excited Wall Street, especially the tech-laden NASDAQ which jumped close to 10% on the week. Besides erasing last week's big losses, this week's huge gains also put the DJIA and small-cap Russell 2000 within a whisper of positive territory YTD and pushed NASDAQ close to 12,000 with a staggering YTD gain of more than 30%.

With all the S&P 500 sectors getting big boosts on the week, it was the tech names that really jumped, with the Information Technology sector leaping close to 10%. Despite the price of oil moving up on the week, the Energy sector once again was at the bottom of the pack and gained a measly 0.8%.

Unemployment Declines to 6.9%

On Friday, the U.S. Bureau of Labor Statistics reported that total nonfarm payroll employment rose by 638,000 in October and the unemployment rate declined to 6.9% – both numbers were better than consensus expectations.

Specifically, the press release from Friday said: "In October, notable job gains occurred in leisure and hospitality, professional and business services, retail trade, and construction. Employment in government declined."

Further it was reported that:

- In October, the unemployment rate declined by 1.0 percentage point to 6.9% and the number of unemployed persons fell by 1.5 million to 11.1 million
- Both measures have declined for 6 consecutive months but are nearly twice their February levels (3.5% and 5.8 million, respectively)
- Unemployment rates declined among all major worker groups in October

Corporate America and the 2020 Elections

To give a sense of how much corporate America was paying attention to the election, look at the research conducted by FactSet when it searched for the term "election" in the conference call transcripts of more than 200 S&P 500 companies that held earnings conference calls from September 15th through October 28th.

According to FactSet's press release:

"The term "election" was mentioned during the earnings conference calls of 73 S&P 500 companies (or approximately 34% of the 212 S&P 500 companies that had conducted earnings calls between September 15 and October 28)."

Interestingly, FactSet also did the same search but during the 2016 election and discovered that:

"The term "election" was mentioned during the earnings conference calls of 56 S&P 500 companies (or approximately 20% of the 284 S&P 500 companies that had conducted earnings calls between September 15 and October 28 in 2016)."

But Earnings Are Still Way Off

Despite the increase in the number of times the term "election" was mentioned in S&P 500 earnings calls, the results for the third quarter are still awful.

With almost 90% of S&P 500 companies having reported 3Q earnings so far as of Friday, consider that 86% of companies have reported EPS results above estimates (the record is 84% in the previous quarter). Despite this, investors are still seeing the third largest year-over-year decline in earnings since the third quarter of 2009.

As of Friday, the year-over-year decline at the end of Q3 was -21.2%.

Retail Sales Increase Seven Weeks in a Row

The Johnson Redbook Index is a weekly retail sales index created by independent trend-watcher Redbook Research. Based on the release from November 3rd, the Johnson Redbook Index supports the notion that retail sales continue to improve, as same-store sales moved up 3.2% in the last week in October, which was also the strongest year-over-year increase since late August.

Further, this latest result from Redbook is the seventh consecutive increase for same-store sales, which underscores the strength in retail sales in general.

U.S. International Trade in Goods and Services

On Wednesday, November 4th, the U.S. Department of Commerce reported that:

- The goods and services deficit was $63.9 billion in September, down $3.2 billion from $67.0 billion in August
- September exports were $176.4 billion, $4.4 billion more than August exports
- September imports were $240.2 billion, $1.2 billion more than August imports

Sources: *ismworld.org; bls.gov; redbookresearch.com bea.gov; factset.com; factset.com; fidelity.com; msci.com; Nasdaq.com; wsj.com; Morningstar.com*