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COVID-19 cases surge nationwide. Vaccine makers deliver. President Trump still won't concede. Stimulus talks resume.

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The Hot List

↑ HOT

1. COVID-19 (last week: #1)

Moderna vaccine was determined to have **an efficacy rate of 94.5% (https://investors.modernatx.com/news-releases/news-release-details/modernas-covid-19-vaccine-candidate-meets-its-primary-efficacy)**, which is extremely good. As Pfizer finished their trials, they determined their vaccine to be **95% effective too (https://www.statnews.com/2020/11/18/pfizer-biontech-covid19-vaccine-fda-data/)**. On top of that, AstraZeneca and Oxford's vaccine showed a **strong immune response in all ages (https://www.astrazeneca.com/media-centre/articles/2020/covid-19-vaccine-azd1222-is-better-tolerated-in-older-adults-than-younger-adults-with-similar-immune-responses-across-all-age-groups.html)**.

COVID-19 cases continue to spike in the U.S., leading to new restrictions such as NYC schools shutting down. Biden advisors are pushing back **against a nationwide lockdown (https://www.cbsnews.com/news/covid-lockdown-joe-biden-advisory-team-reject-idea/)**, despite the surge in cases. Here is a **list of the restrictions and mask mandates (https://www.nytimes.com/interactive/2020/us/states-**

COVID-19 cases are not only surging in the U.S. but also globally. This tracker (https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases) will keep you current on the COVID-19 situation worldwide.

2. Election (last week: #2) (https://www.investors.com/news/econom reserve-meeting-wall-street-expects-yield-curve-control/)

President Trump has yet to concede despite election officials saying it was the “most secure in American history.” It is unclear what his goal is going forward. On December 14, the electors from each state will meet to formally nominate the next president. This article from the BBC (https://www.bbc.com/news/election-us-2020-54724960) lays out President Trump’s claims by state and where they stand.

The Georgia runoffs will determine which party controls the Senate for the next two years. If Democrats win both seats, the Senate will be 50-50 with the Vice President casting the tie-breaker.

3. Stimulus (last week: #3)

President Trump’s nominee for the Federal Reserve Board of Governors, Judy Shelton, failed to advance to a final vote. While this is a setback, she could still get confirmation (https://www.nytimes.com/2020/11/17/business/economy/judy-shelton-fed-vote.html).

Staff for House Speaker Pelosi, Senate Minority Leader Schumer, Senate Majority Leader McConnell and House Minority Leader McCarthy met to restart talks for COVID-19 relief (https://fortune.com/2020/11/20/second-stimulus-update-shutdown-negotiations-mcconnell-schumer-congress-covid-relief-bill-package-funding/). They also discussed a spending bill to avoid a government shutdown, which is needed by December 11.

Fed Chair Powell said Tuesday (https://apnews.com/article/san-francisco-consumer-spending-coronavirus-pandemic-jerome-powell-retail-sales-5cf77cab1efbe6917f8326f597a43639), that the surge in virus cases could slow the economy in the months ahead. He said this threat means that Congress should provide more stimulus to keep the economy afloat. Powell said “there hasn’t been a bigger a need for it in a long, long time here.”

4. Unemployment (last week: #4)

The U.S economy added 638,000 jobs (https://www.cnn.com/2020/11/06/economy/jobs-report-october-2020/index.htmlhttps:/www.cnn.com/2020/11/06/economy/jobs-report-october-2020/index.html) in October but is still down 10 million since February. This brought the growth continues to slow. The rate of long-term unemployed remains at record levels, but the participation rate is starting to show signs of recovery. At its current pace, the job market won't return to pre-pandemic levels until February 2022, according to labor economists.

5. Infrastructure (last week: #5)

Biden has laid out **his $2 trillion dollar infrastructure plan (https://joebiden.com/clean-energy/)**. The American Society of Civil Engineers has issued a near-failing grade for the country's current infrastructure for several years running, so this plan could be welcomed by Wall St. and Main St. This is a great opportunity to create jobs and prevent further deterioration of existing infrastructure which could be detrimental to many industries.

Last Week

Monday: S&P 500 up 41.78 (+1.17%) to 3626.93. Moderna vaccine news announced.

Tuesday: S&P 500 down 17.31 (-0.48%) to 3609.60. Retail sales number came in weaker-than-expected.

Wednesday: S&P 500 down 41.78 (-1.16%) to 3567.75. NYC schools shut down.

Thursday: S&P 500 up 14.06 (+0.39%) to 3581.85. Hope for stimulus as talks restart.

Friday: S&P down 24.22 (-0.68%) to 3557.65. Virus spread triggers more restrictions.

Technical Look

With so much uncertainty in the markets, technical levels continue to play a key role in this rally. The most recent vaccine news put the S&P 500 into record territory once again. However, the recent surge in cases with the restrictions that followed have dropped it back into the trading range. To the downside, look for mild support at 3500 with greater support near the 50-day moving average around 3400. To the upside if it breaks above 3600, it could be set to make new all-time highs and run higher to 3700.

My Takeaway

Last week was pretty much déjà vu from the week before. Great news from the vaccine makers over the weekend led to all-time highs on Monday as stocks tied to the reopening rocketed higher. And just like last week, the rotation was temporary as the investors started seeking out the COVID-19 winners by the end of the week.

This scenario sums up the current confusion among investors. There is clearly a light at the end of the tunnel with so many vaccines coming through with strong results. However, to get to the end of the tunnel, we may go through the worst period so far.

It's certainly an interesting dynamic from an investing standpoint. The increase in cases is favorable to more stimulus while the vaccine data is not. The more restrictions there are, the more it favors the giant S&P 500 companies over Main Street.

Continuing with the déjà vu theme, I'll reiterate what I wrote last week as it's still where I stand:

I personally feel it all comes back to near-zero interest rates and the "There Is No Alternative" [TINA] trade. This dynamic makes the math seem to favor higher growth companies. So, while this rally seems like it is getting bubbly, there is a chance it could continue for a while until the Fed is forced to raise rates. And that is where my current focus lies: potential inflation.

Despite all the terrible data, crazy election nonsense, etc., the only thing that may stop this rally is inflation. The Fed has said they are willing to let it go above their 2% target, so they are asking for it. It seems to be more a matter of when, than if. I think once investors are able to earn a normal rate of return in bonds or CDs again, this rally will likely be over. Just remember the Fed has indicated that it wants to keep rates where they are for the next couple years.

I'd watch the technical levels closely here as the S&P 500 is flirting with all-time highs again. I'd focus on 3600 and if it breaks that then it could really make a move higher. However, look to 3400 as an entry spot if we get a pullback, as that could provide some support."

As always, you really need to have a long-term strategy and stick to it. The market could really make a big move in either direction with so many positive and negative catalysts out there. If you don't have a plan, you can get whipsawed in moments like these. If you need help finding your own personal strategy during these turbulent times, **please contact DreamWork Financial Group (https://dreamwork.financial/contact/)**and let us develop your Investing Gameplan™ today.

Until next time,

Clint Kirby

Chief Financial Strategist

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