

NOVEMBER 2020 RECAP

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November was a historic month for the stock market as the S&P 500 returned 11.0%, only the eighth monthly return greater than 10% in the last 40 years. The S&P hit a new intra-day all-time high on November 9th at 3,646. The market is now up by 14.0% the year.

Several positive developments drove the strong returns this month, including, clarity on the election, positive news on covid vaccines, and market friendly nominees to key cabinet positions (see below for details).

Vaccine news especially pushed cyclical stocks higher in anticipation that the economy will begin to recover next year. Small cap stocks (Russell 2000) returned 18.4%, the best monthly return since the inception of the index in 1984. Other cyclical asset classes including Energy (28.0%), Financials (16.9%), and Industrials (16.0%) also performed well.

Last month we wrote that, “the end of October feels a bit like we are finishing one chapter and are about to start a new one. Who will be the next president? What will be the makeup of Congress? Will covid vaccines be effective? What is the timeline for a vaccine? We will soon know the answers to some of the questions that we have been asking all year.” We expected more volatility through the election and now as we receive clarity on several major issues, we can move forward with a measured approach. We are not ready to signal an all-clear on the equity markets just yet; valuations remain high and the spread of the virus is accelerating, which may necessitate more shutdowns before a vaccine arrives. It is 2020 after all, we are prepared for anything and nothing would surprise us. On the equity side, we remain tilted toward high quality US large cap stocks (we allocate across regions, countries, market caps, factors, styles, sectors, and industries). On the fixed income side, we continue to focus on achieving ballast, stability, and income while accounting for short-term cash needs. As always, we will continue to utilize our time-tested investment process as we aim to take advantage of new opportunities.

We hope everyone had a great Thanksgiving and we would like to wish everyone a happy and healthy holiday season. Please do not hesitate to contact us if you have any questions or concerns. At Winthrop Wealth, we are committed to helping you live life to the fullest and we look forward to speaking with you again soon.

We would like to highlight several key events that took place during November 2020:

➤ President-elect Biden

Please see our Client Question of the Month on the Post-Election. On November 23, the General Services Administration (GSA) formally sent a letter to President-elect Biden ascertaining the results of the election and releasing millions in post-election resources to assist in the transition. Important upcoming dates include the December 8th “safe harbor” deadline when states with contested elections must file results and December 14th when electors meet in each state to cast their ballots for president.

The most probable outcome remains a Biden presidency combined with a Republican Senate. As stated in our Client Question, this outcome is a positive backdrop for the stock market, especially considering current Federal Reserve policy and positive vaccine news. *We will be watching the outcome of the Georgia Senate runoff elections on January 5, 2021 closely to see which party ultimately controls the Senate.*

➤ Positive Vaccine News

This month provided several positive vaccine updates in the fight against COVID-19.

- **Pfizer/BioNTech:** the vaccine developed by Pfizer and German partner BioNTech SE was 95% effective in a trial that included over 43,000 volunteers. Pfizer filed for US regulatory clearance on November 20th and a decision on Emergency Use Authorization (EUA) could come from the Food and Drug Administration (FDA) around December 10th.
- **Moderna:** the company’s vaccine was over 94% effective in a trial that included over 30,000 volunteers. Moderna applied for Emergency Use Authorization on November 30th and expects a response from the FDA around December 17th.
- **AstraZeneca/University of Oxford:** the vaccine developed by AstraZeneca and the University of Oxford was 60-90% effective depending on the dosage. AstraZeneca may file for FDA approval within a few weeks. The AstraZeneca vaccine is thought to be cheaper and easier to transport than the Pfizer or Moderna products.

US Surgeon General Jerome Adams said that vaccine distribution will start 24 to 48 hours after approval. Furthermore, he expects 40 million vaccine doses to be produced by the end of 2020 and that most Americans will have access to a vaccine by early in the second quarter of 2021. Dr. Anthony Fauci also stated that the US will be vaccinating portions of the population by the end of the year and that, “there really is light at the end of the tunnel.”

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➤ Treasury Secretary Nominee Janet Yellen

President-elect Biden announced that he would nominate former Federal Reserve Chair Janet Yellen for Treasury Secretary. Janet Yellen is likely the most qualified nominee in history after previously serving as the Fed Chair from 2014-2018 and as the Chair of the White House Council of Economic Advisors from 1997-1999. Markets cheered Yellen's appointment as her stance and thought process on many issues are well known. Yellen has been a vocal advocate that more fiscal stimulus is needed for the economy and should have the political contacts to help move an additional bill forward. We can also expect that the Treasury and Fed will have a strong working relationship given Yellen's history as Fed Chair (Jerome Powell served on the Fed's Board of Governors during Yellen's term). As opposed to other potential candidates, Yellen is viewed as an excellent pro-market selection and she should not have a problem being confirmed in the Senate.

➤ Federal Reserve Update

The November 4-5th Federal Open Market Committee (FOMC) meeting was uneventful as the Fed did not make any policy changes. The most important aspect of the meeting was the discussion around the Fed's asset purchase program. Currently, the Fed is purchasing at least \$80 billion in Treasuries and \$40 billion of agency Mortgage Backed Securities per month. These purchases help keep long term interest rates low, including mortgage rates. At the meeting, Fed Chair Powell stated that to provide additional accommodation to the economy, the FOMC could shift the composition, duration, size, and/or the lifecycle of the program. Minutes from the meeting suggest that the Fed could provide additional guidance at the December meeting. The Fed's asset purchases will have ramifications for the economy and interest rates.

Also, of note during November was that the Fed and Treasury got into a rare public disagreement over the use of funds related to the CARES Act. The Treasury announced that it was terminating several of the Fed's emergency facilities at the end of the year. Treasury Secretary Mnuchin asked the Fed to return the unused funds. The Fed pushed back on this request stating that they would prefer to keep the funds as a backstop for the economy. A public Treasury and Fed disagreement is rare, but this should be a non-event as most of the funds dedicated to these facilities went unused and they can always be restarted if necessary.

MARKET RETURNS

US Equity											
Index	November	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
S&P 500	10.95%	14.01%	31.48%	-4.39%	21.82%	11.95%	1.37%	13.23%	13.73%	13.93%	7.28%
Russell 3000	12.16%	15.68%	31.01%	-5.25%	21.12%	12.72%	0.47%	13.27%	13.70%	13.78%	7.66%
Dow Jones Industrial Average	12.14%	6.11%	25.34%	-3.48%	28.11%	16.43%	0.21%	9.43%	13.30%	12.91%	7.95%
Nasdaq	11.91%	37.17%	36.74%	-2.81%	29.73%	8.97%	7.11%	22.52%	20.15%	18.37%	9.15%
S&P 400	14.27%	6.70%	26.17%	-11.10%	16.23%	20.73%	-2.18%	6.33%	9.81%	11.26%	9.35%
Russell 2000	18.42%	10.39%	25.49%	-11.03%	14.63%	21.28%	-4.41%	7.23%	10.11%	10.87%	8.71%
Russell 1000 Growth	10.24%	32.40%	36.39%	-1.51%	30.21%	7.07%	5.67%	21.64%	19.31%	17.04%	7.85%
Russell 1000 Value	13.45%	-1.01%	26.52%	-8.28%	13.64%	17.33%	-3.84%	5.22%	8.19%	10.68%	6.86%
International Equity											
MSCI Index	November	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
EAFE	15.50%	3.03%	22.01%	-13.79%	25.03%	1.00%	-0.81%	3.54%	6.03%	5.67%	4.44%
Europe	20.25%	3.45%	23.20%	-16.90%	28.07%	1.34%	-1.42%	2.40%	5.96%	5.35%	3.77%
Japan	12.49%	9.95%	19.61%	-12.88%	23.99%	2.38%	9.57%	5.04%	7.47%	6.83%	3.18%
China	2.77%	26.01%	23.46%	-18.88%	54.07%	0.90%	-7.82%	9.09%	13.79%	7.15%	10.72%
Emerging Markets	9.25%	10.20%	18.42%	-14.57%	37.28%	11.19%	-14.92%	5.07%	10.41%	3.40%	9.32%
ACWI ex US	13.45%	4.98%	21.51%	-14.20%	27.19%	4.50%	-5.66%	4.03%	7.18%	4.97%	5.12%
US Fixed Income											
Bloomberg Barclays Index	November	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
Aggregate	0.98%	7.36%	8.72%	0.01%	3.54%	2.65%	0.55%	5.35%	4.27%	3.78%	4.92%
Treasury Bills	0.01%	0.53%	2.21%	1.83%	0.81%	0.26%	0.03%	1.55%	1.13%	0.59%	1.44%
Corporates	2.79%	9.41%	14.54%	-2.51%	6.42%	6.11%	-0.68%	7.08%	6.38%	5.58%	6.17%
Securitized MBS/ABS/CMBS	0.12%	3.92%	6.44%	0.99%	2.51%	1.77%	1.47%	3.82%	3.05%	3.06%	4.52%
High Yield	3.96%	5.13%	14.32%	-2.08%	7.50%	17.13%	-4.47%	5.68%	7.58%	6.76%	7.83%
Munis	1.51%	4.58%	7.54%	1.28%	5.45%	0.25%	3.30%	4.67%	3.89%	4.37%	4.82%
US Equity Sectors											
Index	November	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
Technology	11.43%	36.08%	50.29%	-0.29%	38.83%	13.85%	5.92%	27.06%	25.50%	20.34%	8.35%
Real Estate	6.95%	-3.61%	29.00%	-2.23%	10.85%	1.12%	1.24%	6.48%	6.40%	8.38%	
Industrials	15.97%	9.75%	29.32%	-13.32%	21.01%	18.85%	-2.56%	8.24%	11.49%	12.34%	7.17%
Energy	28.04%	-36.47%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-15.41%	-8.07%	-2.53%	3.53%
Consumer Discretionary	8.56%	30.01%	27.94%	0.82%	22.98%	6.03%	10.11%	19.74%	16.03%	17.62%	10.41%
Communication Services	9.56%	19.92%	32.69%	-12.53%	-1.25%	23.48%	3.40%	13.59%	11.44%	10.40%	4.13%
Consumer Staples	7.52%	8.81%	27.61%	-8.39%	13.49%	5.38%	6.60%	9.06%	9.18%	11.86%	8.43%
Utilities	0.76%	-0.18%	26.35%	4.11%	12.10%	16.29%	-4.84%	7.34%	11.65%	11.40%	6.33%
Materials	12.51%	17.73%	24.58%	-14.70%	23.84%	16.69%	-8.38%	8.75%	11.45%	9.49%	9.39%
Financials	16.90%	-7.53%	32.09%	-13.04%	22.14%	22.75%	-1.56%	2.60%	8.99%	10.98%	3.40%
Health Care	7.94%	9.18%	20.82%	6.47%	22.08%	-2.69%	6.89%	11.81%	10.78%	15.72%	7.45%
Calendar Year Returns						Annualized Returns					

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DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 78 constituents, the index covers approximately 85% of the Indian equity universe.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.