Yardeni Research

MORNING BRIEFING
November 23, 2020

Broadening Bull Market

Check out the accompanying chart collection.

(1) Much ado about $450 billion. (2) Is T-Fed extinct already? (3) Biden likely to pick a Fed-grown Treasury secretary. (4) Warp Speed is on the fast track. (5) Vaccine could open the door to the Roaring 2020s. (6) Value stocks getting inoculated. (7) SMidCaps outperforming too. (8) Kinetic Energy stocks. (9) US MSCI underperforms rest of world. (10) Are technicals too bullish? (11) Home-buying is booming. (12) New home for the holidays. (13) Wealth inequality hasn't worsened significantly since 1989. (14) Movie review: "The Crown" (+ + +).

YRI Study. We have reprinted our study titled *S&P 500, Earnings, Valuation, and the Pandemic* as a paperback and e-book. Both are available at Amazon here. This study focuses on the S&P 500 stock price index, examining how it is determined by the earnings of the 500 companies that are included in the index and the valuation of those earnings by the stock market. You can find the other books in our "Predicting the Markets" series on my Amazon author's page here.

US Politics: T-Fed on the Rocks? On Thursday, Treasury Secretary Steve Mnuchin announced that he will not extend the Fed's emergency lending programs that used funds provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act beyond December 31, when they are set to expire. The programs cover corporate bond buying, loans to state and local governments, and the Main Street Lending Program to small and medium-sized businesses. They represent an unconventional collaboration between the Treasury Department and the Fed, which effectively turned the two agencies into the "Bank of the United States," or "T-Fed," as Melissa and I call it. Now T-Fed's days may be numbered, though it could be revived by the incoming Biden administration.

Mnuchin explained: "With respect to the facilities that used CARES Act funding (PMCCF, SMCCF, MLF, MSLP, and TALF), I was personally involved in drafting the relevant part of the legislation and believe the congressional intent as outlined in Section 4029 was to have the authority to originate new loans or purchase new assets (either directly or indirectly) expire on

December 31, 2020. As such, I am requesting that the Federal Reserve return the unused funds to the Treasury. This will allow Congress to re-appropriate $455 billion, consisting of $429 billion in excess Treasury funds for the Federal Reserve facilities and $26 billion in unused Treasury direct loan funds."

Congress and the Treasury expected that the Fed would leverage the $455 billion into about $4 trillion in loans. But the Fed never got around to doing so, not in size, as we discussed last Wednesday.

After Mnuchin's announcement, the Fed issued a statement urging that "the full suite" of measures be maintained into 2021. On Friday, Fed Chair Jerome Powell issued a statement matter-of-factly acknowledging Mnuchin's decision. Democrats were outraged. Mnuchin countered that he is "following the intent of Congress." He added that "we don't need to buy more corporate bonds. The municipal market is working, people are able to borrow lots of money in the markets."

This development is likely to convince President-elect Joe Biden to appoint someone from the Fed to be his Treasury secretary—specifically either Lael Brainard or Roger Ferguson, both Fed governors, or else former Fed Chair Janet Yellen. Last Monday, Melissa and I wrote: "If gridlock frustrates Biden's plans to increase government spending significantly along with taxes, it would be good for him to have a Treasury secretary who could press the right buttons at the Fed to get more monetary stimulus."

Strategy: Energetic Value Investment Style. November has been a very good month for the Value investment style so far, led by the cyclical sectors of the S&P 500/400/600, especially Energy. They were inoculated from the Covid-19 virus on Monday, November 9 when Pfizer announced that it had developed a very effective vaccine. The bad news is that it has to be stored at minus 90 degrees Fahrenheit. The Value stocks got a booster shot a week later, on Monday, November 16, when Moderna announced that its vaccine required normal refrigeration.

More vaccines are on the way. Love him or hate him, President Donald Trump deserves credit for making this happen by spending $10 billion on Operation Warp Speed. According to the HHS.gov website: "November 12: HHS [US Department of Health & Human Services] and DoD [US Department of Defense] announced partnerships with large chain pharmacies and networks that represent independent pharmacies and regional chains. Through the partnership with pharmacy chains, this program covers approximately 60 percent of pharmacies throughout the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Through the partnerships with network administrators, independent pharmacies and regional chains will also be part of the federal pharmacy program, further increasing access to vaccine across the country—particularly in traditionally underserved areas."

After Pfizer's November 9 news, everyone seemed to have concluded that the bull market in stocks would now broaden. Joe and I agreed. On November 10, we wrote: "Roaring 2020s, here we come! Yesterday morning, Pfizer and partner BioNTech announced that they've developed a Covid-19 vaccine that is 90% effective. Stock prices soared on the news, led by all the pandemic-challenged businesses. Value outperformed Growth and may continue to do so as the bull market broadens and continues to rise in record-high territory." So far, so good.

Here are selected performance derbies since Friday, November 6—which might have marked the start of the broadening of the bull market led by Value and SMidCaps—through Friday's close:

(1) *S&P 500/600/400 Value vs Growth.* The outperformance of Value has occurred across the spectrum of market-cap indexes: S&P 500 Value vs Growth (5.2%, -1.0%), S&P 400 Value vs Growth (9.3%, 3.4%), and S&P 600 Value vs Growth (12.6%, 8.2%) (*Fig. 1*).

(2) *S&P 500 sectors.* Cyclical sectors in the S&P 500 with high concentrations of Value stocks have done well recently: Energy (22.3%), Financials (8.9), Industrials (6.4), Real Estate (3.5), Materials (2.5), Consumer Staples (2.1), S&P 500 (1.4), Communication Services (-0.1), Consumer Discretionary (-1.2), Health Care (-1.2), Utilities (-1.3), and Information Technology (-1.3) (*Fig. 2*).

(3) *S&P 500 industries.* Of the 122 industries we monitor, there was an equal number—38—of big outperformers with double-digit gains and big underperformers with losses, all of less than 10%. Among the top winners were Hotel & Resort REITs (35.0%), Oil & Gas Exploration & Production (31.5), Retail REITs (22.9), Office REITs (18.9), Airlines (15.8), and Hotels, Resorts & Cruise Lines (15.5).

Among the big losers were Gold (-9.5%), Home Improvement Retail (-6.8), Systems Software (-5.6), Internet & Direct Marketing Retail (-5.3), Systems Software (-5.6), and Household Appliances (-4.3). (See our *Performance Derby S&P 500 Sectors & Industries*.)

(4) *LargeCaps vs SMidCaps.* The market broadened out, favoring SMidCaps, as follows: S&P 500 (1.4%), S&P 400 (6.0), and S&P 600 (10.3) (*Fig. 3*). That makes sense given the following rebounds in the forward earnings of the S&P 500/400/600 from their lows during May and June through the week of November 12: 17.0%, 34.9%, and 57.2% (*Fig. 4*).

(5) *Stay Home vs Go Global*. The vaccine news gave a big boost to Go Global relative to Stay Home. Here is the performance derby for selected country and regional MSCI stock price indexes in local currencies: United Kingdom (8.0%), Europe (6.4), Taiwan (6.3), Australia (6.2), EAFE (5.9), All Country World ex-US (4.7), Japan (4.6), All Country World (2.8), EM (2.4), United States (1.4), and China (-1.4).

(6) *Better breadth.* The breadth of the bull market is broadening. The S&P 500 is 13.3% above its 200-day moving average, with 86.3% of the companies trading above their 200-day moving average (*Fig. 5* and *Fig. 6*). We recognize that this might actually be a bearish signal in the short run. However, only 58.1% of the companies have positive y/y price comparisons, which is relatively bullish (*Fig. 7*).

US Economy: Housing Is Booming. Debbie and I are still forecasting that real GDP will increase 5% (saar) during Q4-2020, 3% per quarter next year, and 2% per quarter in 2022 (*Fig. 8*). The Atlanta Fed's GDPNow tracking model showed a gain of 5.6% during the current quarter as of Wednesday, November 18. On that day, the Census Department released a strong housing starts number, causing the model to boost residential investment from a gain of 19.5% to 23.2%, versus 59.3% during Q3-2020. That's consistent with our view that the housing-related boom is a major source of growth. Here's some more on this subject:

(1) *Starts.* While multi-family starts have stalled near their cyclical highs this year, single-family housing starts jumped to 1.18 million units (saar) during October, the best pace since April 2007 (*Fig. 9*). The same can be said about single-family building permits, which rose to 1.12 million units during October, the highest since March 2007 (*Fig. 10*). Needless to say, single-family building permits are a very good leading indicator for residential construction and completions of single-family homes (*Fig. 11*).

(2) *New home sales.* Another useful leading indicator for new home sales is the "traffic of prospective home buyers" index compiled by the National Association of Home Builders and available since January 1985 (*Fig. 12*). It matched its record high of 58 during January of this

year and went on to rise into record-high territory to 77 in November, following a Covid 19-related slump.

(3) *Existing home sales.* Existing home sales don't directly impact GDP, but they do drive housing-related retail sales. The pending home sales index compiled by the National Association of Realtors dipped from a record high 132.9 during August to 130.0 during September, but still suggests that existing home sales will continue to soar, as they did in October to 6.85 million units (saar), the highest since February 2006 (*Fig. 13*). Sure enough, housing-related retail sales edged up to yet another record high during October (*Fig. 14*).

Wealth Distribution: Has Wealth Inequality Gotten Worse? The Fed introduced its new Distributional Financial Accounts (DFA) in a March 2019 working paper. It's a treasure trove of information on household wealth distribution in the US. Melissa and I are finding lots of data that can provide insights into several controversial issues about this subject. They've been controversial mostly because claims on all sides of the debate have been supported with debatable data, with much of it inferred from tax statistics rather than directly measured. The Fed's quarterly database is more comprehensive, frequent, and timely than others.

Has wealth inequality worsened significantly in recent years, as claimed by Progressives? They claim that the gains in real GDP and productivity over the past three decades have mostly gone to the rich, significantly increasing the income and wealth of the top 1% of wealth owners, a.k.a. the "One Percent." The Fed's DFA show that wealth inequality has worsened, but not significantly. Let's review the data:

(1) *Net worth by wealth percentile groups*. From Q3-1989 through Q2-2020, the total net worth of households increased 450% from $20.4 trillion to $112.1 trillion (*Fig. 15*). Over the same period, nominal GDP increased 242% from $5.7 trillion to $19.5 trillion. So the ratio of the two rose from 3.6 to 5.7 (*Fig. 16*).

Here are the net worth levels of the four percentile groups shown in the Fed's DFA as of Q2-2020 along with their growth rates since Q3-1989: Top 1% ($34.2 trillion, 612%), 90-99% ($43.1 trillion, 466%), 50%-90% ($32.6 trillion, 350%), and bottom 50% ($2.1 trillion, 174%) (*Fig. 17*). So the top two groups (i.e., the "Ten Percent") grew much faster than GDP, while the third group also outpaced GDP but less so, while the change in the bottom 50% was inconsequential in the wealth derby (*Fig. 18*).

(2) *Percentage shares of net worth by percentile groups.* Here are the latest percentage shares of total net worth of the four groups and their readings at the start of the data during Q3-1989: Top 1% (30.5%, 23.5%), 90%-99% (38.5%, 37.2%), 50%-90% (29.1%, 35.5%), and bottom 50% (1.9%, 3.7%) (*Fig. 19*). There is apparent wealth inequality, but it hasn't gotten significantly worse. The percentage share of the bottom 50% has never exceeded 4.3%. The percentage share of the 50%-90% group has dropped from a high of 36.4% during Q1-2003 to 29.1% currently. The percentage share of the top 10% has increased from a low of 59.5% during Q3-1992 to 69% now (*Fig. 20*).

(3) *Age and education matter.* It should be needless to say—but it needs to be said—that people are not serving life sentences in their percentile groups. The bottom 50% includes lots of young single people with not much education. Those who become better educated as they get older are likely to move into the higher income and wealth percentile groups (*Fig. 21* and *Fig. 22*).

Movie. "The Crown" (+ + +) (*link*) is wonderful docudrama about Queen Elizabeth. It provides a sweeping view of her life and times. So far, her reign has coincided with the careers of 14 UK prime ministers. She has been through lots of good and bad times for her nation as well as for the royal family. My wife and I are still binge-watching the fourth season, which is about the sad lives of Prince Charles and Princess Diana, as well as the challenges faced by Prime Minister Margaret Thatcher. The latest season also features the antics of two intruders. One was an unemployed fellow who entered Buckingham Palace without permission and managed to have a brief conversation with the Queen in her bedroom. The other was a mouse that raced across the floor of Windsor Castle during the third episode.

CALENDARS

US: Mon: M-PMI & NM-PMI Flash Estimates 53.0/55.3, Chicago Fed National Activity Index, Daly, Evans.**Tues:** Consumer Confidence 98.0, Richmond Fed Manufacturing Index, S&P Case-Shiller Home Price Index 5.0%y/y, API Crude Oil Inventories, Williams, Clarida. (DailyFX estimates)

Global: Mon: Eurozone, Germany, and France C-PMI Flash Estimates 45.8/50.4/34.0, Eurozone, Germany, and France M-PMI Flash Estimates 53.1/56.5/50.1, Eurozone, Germany, and France NM-PMI Flash Estimates 42.5/46.3/37.7, UK C-PMI, M-PMI, and NM-PMI Flash Estimates 42.5/50.5/42.5, Schnabel, Gravelle, Debelle.**Tues:** Germany GDP 8.2%q/q/-

4.3%y/y, Germany Ifo Business Climate, Current Conditions, and Expectations 90.7/87.2/93.5, France Business Confidence 91, Lagarde, Haskel, Schnabel, Mauderer, Beermann, Lane, Wilkins, Kuroda. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance (*link*): Last week saw the US MSCI index fall 0.4% for its first decline in three weeks. The index ranked 43rd of the 49 global stock markets we follow in a week when 40 of the 49 countries rose in US dollar terms and the AC World ex-US index gained 1.9%. The US MSCI index was out of a correction for a 21st week. Six countries traded at a record high during the week: Ireland, the Netherlands, New Zealand, Sweden, Taiwan, and the US. EM Latin America was the best-performing region last week with a gain of 3.9%, followed by EM Eastern Europe (3.1%) and EMEA (1.9). BRIC was the biggest underperformer, albeit with a gain of 1.2%, followed by EM Asia (1.6), EMU (1.7), and EAFE (1.9). Peru was the best-performing country last week, rising 5.3%, followed by Poland (5.0), Mexico (4.7), Austria (4.4), and Greece (4.3). Among the 24 countries that underperformed the AC World ex-US MSCI last week, Egypt fared the worst with a decline of 2.4%, followed by Pakistan (-2.3), New Zealand (-1.9), Ireland (-1.6), and Jordan (-1.1). The US MSCI's ytd ranking rose one spot w/w to 7/49 even as its ytd gain slipped to 12.3%. The AC World ex-US rose 1.9ppts w/w to a 2.2% ytd gain. EM Asia is the best regional performer ytd, with a gain of 18.6%, followed by BRIC (10.7). The worst-performing regions ytd: EM Latin America (-25.9), EM Eastern Europe (-23.9), EMEA (-16.3), EMU (-0.1), and EAFE (-0.1). The best country performers ytd: Denmark (31.8), China (26.1), Taiwan (25.4), Korea (20.2), and Sweden (18.3). The worst-performing countries so far in 2020: Colombia (-38.8), Greece (-37.2), Brazil (-31.8), Russia (-25.4), and Pakistan (-24.9).

S&P 1500/500/400/600 Performance (*link*): LargeCap fell last week for the first time in three weeks, but the MidCap and SmallCap indexes rose for a third straight week. SmallCap led with a 2.6% gain, ahead of MidCap (1.6%) and LargeCap (-0.8). The LargeCap and MidCap both made new record highs during the week. SmallCap was out of a correction for only a second week as the index improved to 7.1% below its August 29, 2018 record high. Twenty-one of the 33 sectors rose last week compared to 31 rising a week earlier. Sixteen sectors are out of a correction now, of which six are LargeCaps, five are MidCaps, and five are SmallCaps. SmallCap Energy was the best performer last week with a gain of 6.9%, followed by SmallCap Consumer Discretionary (5.2%), LargeCap Energy (5.0), MidCap Energy (4.7), and MidCap Consumer Discretionary (4.0). LargeCap Utilities was the biggest underperformer last week with a decline of 3.9%, followed by LargeCap Health Care (-3.0), SmallCap Utilities (-2.7), and LargeCap Real Estate (-1.6). LargeCap leads so far in 2020 with a gain of 10.1%, ahead of MidCap (4.1) and SmallCap (-0.1). Twenty of the 33 sectors are now up so far in 2020, with the best performers led by LargeCap Information Technology (30.9), LargeCap Consumer Discretionary (26.1), MidCap Health Care (21.8), MidCap Consumer Discretionary (21.2), and SmallCap Consumer Discretionary (18.5). The biggest laggards of 2020 to date: SmallCap Energy (-49.0), MidCap Energy (-46.0), LargeCap Energy (-41.5), SmallCap Real Estate (-18.4), and MidCap Real Estate (-18.2).

S&P 500 Sectors and Industries Performance (*link*): Four of the 11 S&P 500 sectors rose last week and five outperformed the composite index's 0.8% decline. That compares to a 2.2% gain for the S&P 500 a week earlier, when nine sectors rose and six outperformed the index. Energy's 5.0% gain made it the best performer of the week, ahead of Materials (1.1%), Industrials (1.0), Financials (0.5), and Consumer Discretionary (-0.1). The worst performers: Utilities (-3.9), Health Care (-3.0), Real Estate (-1.6), Consumer Staples (-1.4), Tech (-0.9), and Communication Services (-0.9). The S&P 500 is now up 10.1% so far in 2020, with just four sectors ahead of the index and seven sectors in positive territory. The leading sectors ytd: Information Technology (30.9), Consumer Discretionary (26.1), Communication Services (16.3), and Materials (13.5). The laggards of 2020 so far: Energy (-41.5), Financials (-11.9), Real Estate (-4.9), Utilities (-2.0), Consumer Staples (5.5), Industrials (6.3), and Health Care (6.6).

Commodities Performance (*link*): Last week, the S&P GSCI index rose 2.6% for its third straight weekly gain. It's now down 15.9% from its recent high on January 6 and still in a severe bear market at 25.6% below its four-year high on October 3, 2018. Seventeen of the 24 commodities that we follow moved higher last week. Cocoa was the best performer last week with a gain of 14.7%, followed by Lead (6.5%), Zinc (6.3), Heating Oil (6.2), and Coffee (5.2). Natural Gas was the biggest decliner for the week with a drop of 11.3%, followed by Feeder Cattle (-2.4), Silver (-1.7), and Live Cattle (-1.4). Fifteen of the 24 commodities that we follow are higher so far in 2020, up from 13 a week earlier. The best ytd performers: Silver (36.7), Natural Gas (26.5), Soybeans (23.6), Gold (23.3), and Zinc (22.5). The worst performers ytd: GasOil (-40.9), Heating Oil (-36.2), Brent Crude (-31.7), Unleaded Gasoline (-30.8), and Crude Oil (-30.5).

S&P 500 Technical Indicators (*link*): The S&P 500 fell 0.8% last week, but was above its short-term, 50-day moving average (50-dma) for a third week and above its 200-dma for a 21st week. It had been below its 200-dma for 13 weeks through late May, matching its prior streak that ended during February 2019. Turning to how the dmas compare relative to one another, the index's 50-dma relative to its 200-dma improved for the first time in four weeks, and the index was in a Golden Cross (with 50-dmas higher than 200-dmas) for a 19th week after 15 weeks in a Death Cross. Before the 2020 meltdown, the S&P 500 had last been in a Death Cross for 13 straight weeks, ending in March 2019. The index's 50-dma rose to 9.1% above its 200-dma from 8.6% a week earlier. That 9.1% reading is the highest since April 2011. In mid-May, the 50-dma had been 9.9% below the 200-dma, which was the most that the former had lagged the latter since May 2009. Turning to the individual dmas, the S&P 500's 50-dma rose for a third week after falling a week earlier for the first time in 24 weeks. However, the price index dropped to 3.8% above its rising 50-dma from a 10-week high of 5.3% above a week earlier. It has been mostly trading above its 50-dma since late April and peaked in early June at 11.7% above the index's 50-dma, which was the highest since May 2009, when it peaked at a record high of 14.0%. That compares to 27.7% below on March 23—its lowest reading since it was 29.7% below on Black Monday, October 19, 1987. The 200-dma also rose for a third week after falling the week before that for the first time in 24 weeks. The price index was above its 200-dma for a 21st week. However, the price index dropped to 13.3% above its rising 200-dma from 14.3% above its rising 200-dma a week earlier. That 14.3% reading had been the highest since it hit 15.9% on September 2, which was then the highest reading since December 2009 and up from the 26.6% below registered on March 23—the lowest reading since March 2009. At its worst levels of the Great Financial Crisis, the S&P 500 index was 25.5% below its 50-dma on October 10, 2008 and 39.6% below its 200-dma on November 11, 2008.

S&P 500 Sectors Technical Indicators (*link*): All 11 S&P 500 sectors traded above their 50-dmas last week, unchanged from a week earlier and a big improvement from one sector at the end of October. That compares to all 11 sectors above in the three weeks around the start of June. Utilities was above its 50-dma for an eighth straight week. Energy was solidly above its 50-dma for a second week and for the first time since late June. Ten sectors traded above their 200-dmas, unchanged from a week earlier. Energy is the only sector trading below its 200-dma, but barely so. That compares to just one sector (Health Care) above its 200-dma in early April. Ten sectors are now in the Golden Cross club (50-dmas higher than 200-dmas), also unchanged from a week earlier. Energy is the only sector still in a Death Cross, and has not been in that club for 106 straight weeks. All 11 sectors have a rising 50-dma, up from 10 a week earlier as Energy turned positive w/w. In early June, the 50-dma had been rising for all

11 sectors for three straight weeks. That was a big improvement then from the beginning of May, when all 11 had falling 50-dmas for ten straight weeks. Seven sectors have rising 200-dmas, unchanged from a week earlier. These four sectors have falling 200-dmas: Energy, Financials, Real Estate, and Utilities. Financials' 200-dma was down for a 37th week despite moving into the Golden Cross club in mid-October. Energy's 200-dma has been mostly falling since October 2018.

US ECONOMIC INDICATORS

Leading Indicators (*link*): Leading indicators posted the sixth successive increase in October, though the Conference Board cautions the recent deceleration suggests "the pace of growth is unlikely to exceed 2.2% (annual rate)" this quarter, following Q3's record 33.1% pace. Leading Economic Indicators (LEI) rose 0.7% last month, matching September's pace, rebounding 11.7% since April's low, with monthly increases slowing from an average gain of 2.4% recorded from May through August. October's LEI is within 3.4% of its cyclical high recorded at the start of this year. In October, seven of the 10 components contributed positively to the LEI, while real core capital goods (-0.02ppt) was the only negative contributor; both building permits and consumer expectations were unchanged. The positive contributions to the LEI were led by the new orders diffusion index (0.25ppt) and jobless claims (0.20), followed by the leading credit index (0.09), interest rate spread (0.08), average workweek (0.07), stock prices (0.06), and real consumer goods orders (0.02). Looking ahead, the Conference Board warns there is further downside risk to growth from a second wave of Covid-19.

Coincident Indicators (*link*): The Coincident Economic Index (CEI) also increased for the sixth month in October after a record plunge in April. The CEI climbed 0.5% last month and 10.4% since April, to within 4.6% of its record high posted in February. All four components of the CEI contributed positively last month, with employment once again taking the number one spot: 1) Payroll employment rose for the sixth month in October, by a larger-than-expected 638,000, and there were upward revisions to both September and August payrolls for a net gain of 15,000. Meanwhile, private payrolls advanced 906,000 last month, also following upward revisions to both September and August for a net gain of 21,000. Total and private payroll employment advanced 12.1 million and 12.3 million, respectively, during the six months through October, after plunging 22.2 million and 21.1 million during the two months through April—with both recovering more than half of the jobs lost from February through April. 2) Industrial output resumed its climb in October after a brief dip in September. Production advanced for the fifth time in six months, rebounding 1.1% in October and 13.1% since bottoming in April, with manufacturing output up 1.0% and 19.1% over the comparable period. Headline production is 5.5% below its pre-pandemic level, manufacturing 4.9% below. 3) Real personal income less transfer payments advanced for the sixth straight month by 0.3% last month, though the pace has slowed steadily from May's monthly gain of 1.5%. This measure has advanced 7.0% since bottoming in April and is within 1.9% of February's record high. 4) Real manufacturing & trade sales rose for the sixth, up 0.3% in October and 18.6% over the period to a new record high. (Note: Latest data for both real personal income less transfer payments and real manufacturing & trade sales are estimated using statistical imputations to address the problem of lags in available data.)

Regional M-PMIs (*link*): Three Fed districts now have reported on manufacturing activity for November (New York, Philadelphia, and Kansas City) and show the manufacturing sector expanded at a slower though still elevated rate, thanks to continued strong growth in the Philadelphia region. The composite index slipped to 14.5 this month after climbing the prior two months from 11.6 to 18.6—which was the strongest reading since July 2018; it was at a record-low -54.9 in April. Activity in the Philadelphia (to 26.3 from 32.3) region slowed a bit, after accelerating at its fastest pace since February last month, while Kansas City's (11.0 from 13.0) held around October's pace, and New York's (6.3 from 10.5) slowed for the second month. The new orders (to 20.2 from 27.0) measure also revealed growth in billings remained at an elevated rate, though not as robust as October's 29-month high. Once again, Philadelphia (to 37.9 from 42.6) saw the strongest growth, with billings not far from October's pace—which was the best since the 1970s, while Kansas City's (19.0 from 26.0) remained relatively strong, though not as strong as last month; New York's (3.7 from 12.3) showed billings at one-third October's rate. In the meantime, factories added to payrolls at the best pace since the end of 2018, expanding for the third month to 12.5—nearly double August's rate. Philadelphia's (to 27.2 from 12.7) manufacturers hired at their best pace since July 2019 last month, while New York's (9.4 from 7.2) saw their best tally since the end of last year; Kansas City's (1.0 from 9.0) manufacturers basically stopped hiring after matching their best performance since December 2018 in October.

Existing Home Sales (*link*): "The surge in sales in recent months has now offset the spring market losses," notes Lawrence Yun, NAR's chief economist. "With news that a COVID-19 vaccine will soon be available, and with mortgage rates projected to hover around 3% in 2021, I expect the market's growth to continue into 2021." Existing home sales—tabulated when a purchase closes—continued to soar, up 4.3% in October and 75.2% the past five months to 6.85mu (saar)—the highest level since February 2006. The report highlights that more than 7 in 10 homes sold last month (72%) were on the market less than a month! Both single- (+71.4% to 6.12mu, saar) and multi-family (+114.7 to 730,000 units) sales posted sharp gains over the five months through October, after plunging 30.8% and 43.3%, respectively, during the three months through May. Sales are up sharply in all regions over the past five months: West (94.4% & 22.8% y/y), Northeast (91.5 & 30.4), South (68.2 & 26.5), and Midwest (65.7 & 28.2). Total inventory for single-family homes at the end of October was a record-low 1.20 million units, 23.1% below a year ago—with unsold inventory at a record low of 2.4 months' supply, pushing home prices higher. Single-family median home prices are up 16.0% y/y, with gains in all regions up by double-digit percentages: Northeast (21.7% y/y), Midwest (17.2), South (16.0), and West (15.4).

Contact us by email or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-497-5306
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor, 570-775-6823