



MORNING BRIEFING

November 30, 2020

Dawn of a New Era?

Check out the accompanying [chart collection](#).

(1) Post-election relief rally. (2) Three booster-shot Mondays. (3) Team of seniors. (4) Rocking-chair Liberals vs Progressives. (5) Still suffering from EDP (Era of Deranged Partisanship). (6) The 2020s still likely to roar. (7) Yellen beats Warren. (8) Georgia on my mind, until January 5 election. (9) Mnuchin's Gambit: check, but not checkmate. (10) T-Fed lives to fight another day. (11) A sea of liquidity. (12) Does the FOMC know that the NY Fed is pegging the bond yield below 1.00%? (13) The post-lockdown recovery remains remarkable. (14) Movie review: "Let Him Go" (+).

US Politics: Same Old, Same Old. The S&P 500 is up 8.0% since Election Day on Tuesday, November 3 through Friday's close ([Fig. 1](#)). By comparison, the index was up 2.4% over the comparable period following Election Day on November 8, 2016 through December 2, 2016 ([Fig. 2](#)). Back then, the stock market anticipated that the new incoming Trump administration would cut corporate taxes and reduce business regulations. This time, the market was relieved that the election campaign was over and that, while the results might be contested, Joe Biden's margin of victory was sufficient to set the stage for a peaceful and orderly transfer of power. (However, as we previously observed: It ain't over until it's over. Trump's legal team continues to contest the election and hopes to take their case to the Supreme Court.)

The rally also received booster shots on the following three "vaccine Mondays." On Monday, November 9, Pfizer announced that it had a Covid-19 vaccine ready to go, though it requires extremely cold storage. A week later, on Monday, November 16, Moderna announced that its ready-to-go vaccine requires normal refrigeration. Both have remarkable effectiveness rates of over 90%. On Monday, November 23, Oxford-AstraZeneca also reported having a vaccine set to go, but the spotty disclosure of its data reduced the likelihood that it will be fast-tracked by regulators.

Last week, the market was also comforted to see 78-year-old President-elect Biden start to pick experienced people who've worked for Democratic administrations before to fill top positions in his administration. So far, it's the same old crowd. He seems to be putting together

a team of Baby Boom seniors consisting of establishment Democrats—such as John Kerry (76), who will be special presidential envoy on climate change. It's shaping up to be the same team that was rejected by many voters during the 2016 election and gave Trump his unexpected victory. Biden now also risks upsetting Progressives in his party, who clearly helped him to win and also clearly dislike establishment Democrats.

In other words, the Era of Deranged Partisanship isn't over. However, that doesn't rule out the possibility of the Roaring 2020s once we are inoculated from the virus. After all, the economy and financial markets have done well over the years despite Washington's meddling, which has been slowed but not stopped by recurring political gridlock. As investors, we've learned to tune out the noise and focus on the signal, which has been mostly bullish. We are likely to continue to need this skill in coming years.

We really need term limits so that old politicians find something else to do besides making a lifetime career out of running our lives.

T-Fed: Still Alive and Well. While Trump's supporters and Progressives aren't happy, stock investors are turning downright giddy. On Monday, November 23, we learned that former Federal Reserve Chair Janet Yellen (74) will head the US Treasury—and therefore that Senator Elizabeth Warren (D-MA) won't get that job, as was widely feared by the banking industry. The S&P Financials jumped 1.9% on the news, outpacing the 0.6% rise in the S&P 500 last Monday. The sector gained 4.6% last week, ahead of the 2.3% increase in the S&P 500.

Melissa and I anticipated that Biden would pick someone with experience at the Fed on their resume. We thought he would pick Fed Governor Lael Brainard (58) to expand the Democratic party's pool of relatively young up-and-comers. Nevertheless, Yellen is a great choice given her extensive policy experience and her stellar credibility. When she was Fed chair, I often fondly called her the "Fairy Godmother of the Bull Market." (See [Chapter 7](#) of my book *[Fed Watching for Fun and Profit](#)*.)

If the Democrats don't win both of the contested seats in Georgia's runoff for the state's two US senators on January 5, Biden will face lots of resistance in the Senate to his fiscal spending ambitions. In this case, he undoubtedly would like to work with the Fed on alternative means to finance his plans. Outgoing Treasury Secretary Steve Mnuchin moved last week to checkmate that option by asking for his money back from the Fed. The Coronavirus Aid, Relief,

and Economic Security (CARES) Act gave Mnuchin \$450 billion to give to the Fed as capital to be leveraged up to \$4 trillion in loans to help businesses and municipalities survive the pandemic. Mnuchin claims that the funds are no longer needed, as evidenced by the fact that the Fed hasn't used the funds so far.

Indeed, in its November [Financial Stability Report](#), the Fed boasted that its ZIRP (zero interest-rate policy) and QE4ever (apparently unlimited quantitative easing) combined with pledges to backstop the credit markets have been so successful in opening up the credit markets that the need for emergency credit facilities has been greatly diminished. Consider the following related developments:

(1) *Emergency liquidity facilities*. Since the March 23 week through the November 25 week, the Fed's holdings of securities has increased by \$2.7 trillion to a record \$6.7 trillion ([Fig. 3](#)). Over the same period, the Fed's liquidity facilities rose by \$465 billion to peak at \$1.2 trillion during the June 3 week and fell back down by \$636 billion to \$530 billion during the November 25 week ([Fig. 4](#)). The latest peak during the Great Virus Crisis was \$566 billion below the peak of the Great Financial Crisis during the week of December 17, 2008!

(2) *Corporate issuance boom*. Record-low corporate bond yields and soaring stock prices have resulted in \$2.7 trillion in new corporate security issues over the past 12 months through October ([Fig. 5](#)). That's the fastest pace since October 2007. Undoubtedly, some of the proceeds were used to refinance bonds issued at higher yields, while some will be used to increase liquidity. The big surprise could be that some of the funds might boost capital spending on new technologies and reshoring. Seasoned equity offerings by nonfinancial corporations rose to a record \$125 billion over the 12 months through June ([Fig. 6](#)).

(3) *Booming mortgage financing*. Record-low mortgage rates have driven mortgage applications to purchase homes to new cyclical highs, enabling a remarkable housing rebound this year ([Fig. 7](#)). The sum of new plus existing home sales plunged 27% from February through May, and then soared 67% through October to 7.1 million units (saar), the highest since December 2005. It's been downright breathtaking to watch.

(4) *Record liquid assets*. From the last week of February through the July 6 week, the pandemic of fear caused a mad dash for cash that boosted liquid assets in the US by \$2.6 trillion to a record \$16.3 trillion ([Fig. 8](#)). Notwithstanding the easing of financial conditions, this series was still near its record high during the November 16 week, signaling that liquidity

preference remains elevated. Joe and I reckon that \$1 trillion to \$2 trillion of this liquidity could pour back into the economy and the stock market once widespread inoculation occurs, restoring a semblance of normality.

With Yellen running the Treasury Department and Powell heading up the Fed, “T-Fed”—i.e., what we call the unconventional alliance between the two agencies formed to counter the economic effects of the pandemic—undoubtedly will survive Mnuchin’s attempt to end it. The symbiotic relationship developed during the week of March 23 when the Fed implemented QE4ever on that Monday and the CARES Act was signed on Friday of that week. In effect, that marked the adoption of Modern Monetary Theory by fiscal and monetary policymakers in the US. The genie is out of the bottle, and Mnuchin’s parting shot isn’t likely to stop T-Fed from flourishing. No wonder the stock market ignored his lame-duck effort to reverse course.

By the way, put this in the “what-could-possibly-go-wrong?” file for the stock market: If the Democrats do win the two Senate seats from Georgia in January, the party will have a majority in the Senate. So Mitch McConnell (78) would be replaced by Chuck Schumer (D-NY; 70) as the Senate majority leader, who would get to appoint the chairs of the Senate’s various committees. Elizabeth Warren (71) would probably get the Finance Committee. Bernie Sanders (D-VT; 79) would get the “Make America Socialist Committee.”

The Fed: Left Hand vs Right Hand. Apparently, the Open Market Desk at the Federal Reserve Bank of New York (FRB-NY) hasn’t informed the members of the Federal Open Market Committee (FOMC) that it has been buying lots of Treasury notes and bonds to keep the 10-year Treasury bond yield below 1.00%. Consider the following:

(1) *The left hand (FRB-NY).* From the last week of February through the last week of October, the Fed’s holdings of Treasury securities increased \$2.1 trillion as follows by maturities: One year or less (\$421 billion), 1-10 years (\$1,281 billion), and over 10 years (\$351 billion) ([Fig. 9](#)).

From the end of February to the end of October, the Treasury increased its outstanding marketable debt by \$3.4 trillion as follows: bills (\$2,420 billion), notes (\$735 billion), and bonds (\$284 billion) ([Fig. 10](#)). In other words, the Fed financed 62% of the Treasuries financing needs across all maturities, and purchased \$613 billion more notes and bonds than were issued over that period!

No wonder the 10-year Treasury bond yield has remained below 1.00% since March 20.

(2) *The right hand (the FOMC)*. The [minutes](#) of the November 4-5 FOMC meeting didn't mention any of this despite much discussion about the Fed's asset purchases: "Participants noted that the [Fed] could provide more accommodation, if appropriate, by increasing the pace of purchases or by shifting its Treasury purchases to those with a longer maturity without increasing the size of its purchases. Alternatively, the Committee could provide more accommodation, if appropriate, by conducting purchases of the same pace and composition over a longer horizon."

US Economy: Miracle on Ice. Before Q3's real GDP was released, we increased our estimate for its growth rate twice, from 20% to 25% to 30%. It turned out to be 33.1% (saar), causing us to lower our projection for Q4 growth from 10% to 5%. We might have to raise that estimate based on the latest reading of the [Atlanta Fed's GDPNow](#) tracking model:

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2020 is 11.0 percent on November 25, up from 5.6 percent on November 18. After this morning's releases from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, the nowcasts of fourth-quarter real personal consumption expenditures growth and fourth-quarter real gross private domestic investment growth increased from 2.6 percent and 28.4 percent, respectively, to 6.2 percent and 46.7 percent, respectively ..."

Got that? Consumer spending growth remains strong, at 6.2% following Q3's 40.6% rebound. Just as impressive is that capital spending growth is currently running at a 46.7% rate, up from 21.8% during Q3. This miraculous recovery could stall as a result of the latest wave of the pandemic. (See our [Covid-19: Cases, Hospitalizations & Deaths](#).) Debbie and I do expect a slower pace of growth next year but no double-dip, especially now that vaccines will soon be available. Once they are widely distributed, the economic recovery should get a big boost from pandemic-challenged services that will no longer be hindered by social-distancing restrictions. The travel industry is likely to be booming next summer. For now, consider the following upbeat indicators:

(1) *Consumer spending*. In current dollars, personal consumption expenditures rebounded 20.9% from April through October and are just 1.6% below the record high during January ([Fig. 11](#)). Consumer spending on goods continued to rise to record highs, as it has been doing since June, but spending on services, which continues to recover, is still 5.6% below its record high

during February. Housing-related spending edged up to another record high during October ([Fig. 12](#)).

Here are the laggards among consumer services categories, showing how much they have recovered so far and how much they remain below their highs prior to the pandemic: gambling (351.5%, -12.0%), admissions to specified spectator amusements (587.5, -77.9), amusement parks, campgrounds, & related recreation (380.3, -55.6), air transportation (904.8%, -36.4%), and hotels & motels (159.6, -58.2). They all should recover fully once most of us are inoculated. (See our [Personal Consumption Expenditures](#).)

(2) *Personal income*. What about the coming fiscal stimulus cliff? If another round of such stimulus isn't provided to boost incomes, won't consumer spending double dip soon? The point of the first round was to bolster incomes during the lockdowns until they ended, allowing employment and earned incomes to recover. That scenario continues to unfold, as government social benefits in personal income has declined from a peak of \$6.6 trillion (saar) during April to \$3.8 trillion during October ([Fig. 13](#)).

Meanwhile, wages and salaries in personal income has recovered nicely, and is only 0.9% below its record high during February! Also, while personal saving has dropped sharply from the lockdown recession during March and April, during October it was still \$1.1 trillion (saar) above where it was at the start of the year.

(3) *Capital spending*. Nondefense capital goods orders excluding aircraft has rebounded 14% since April through October, matching previous record highs in this category, which is a good indicator of capital spending ([Fig. 14](#)). As noted above, record-low bond yields have led to record issuance of nonfinancial corporate bonds. Some of the proceeds clearly are boosting capital spending.

(4) *Regional business surveys*. Four of the five business surveys conducted by the Federal Reserve Banks are available through November. The averages of their composite, new orders, and employment series dipped slightly during November but remain relatively high, auguring well for November's M-PMI survey ([Fig. 15](#)).

Movie. "Let Him Go" (+) ([link](#)) starts real slowly, but gets better along the way. It stars Kevin Costner and Diane Lane as a couple living on a ranch in Montana during the early 1960s with their son, his wife, and their grandson. After their son falls off a horse and dies, his wife

remarries into the evil Weboy family. Lesley Manville shines as the family's sinister matriarch Blanche Weboy. Fearing for their grandchild's safety in his new home, the couple mounts a suspenseful rescue attempt.

CALENDARS

US: Mon: Pending Home Sales 1.0%, Dallas Fed Manufacturing Index, Chicago PMI 59. **Tues:** ISM & IHS Markit M-PMIs 57.9/56.7, Construction Spending 0.8%, Motor Vehicle Sales, API Crude Oil Inventories, Powell, Brainard, Daly, Evans. (DailyFX estimates)

Global: Mon: Germany CPI -0.7%*m/m*/-0.1%*y/y*, Italy CPI, RBA Interest Rate Decision 0.10%, Eurogroup Video Conference, Lagarde, Balz, Tenreiro. **Tues:** Eurozone Headline & Core CPI Flash Estimates -0.2%/0.2% *y/y*, Eurozone, Germany, France, Italy, and Spain M-PMIs 53.6/57.9/49.1/52.0/50.5, UK M-PMI 55.2, Germany Unemployment Rate, Italy GDP 16.1%*q/q*/-4.7%*y/y*, Canada GDP 47.0%, Lagarde, Mauderer, Lowe. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index rise 2.5% for its third gain in the past four weeks. The index ranked 23rd of the 49 global stock markets we follow in a week when 44 of the 49 countries rose in US dollar terms and the AC World ex-US index gained 2.1%. The US MSCI index was out of a correction for a 22nd week. Nine countries traded at a record high in dollar terms during the week: Finland, Ireland, Japan, Korea, the Netherlands, New Zealand, Sweden, Taiwan, and the US. EM Latin America was the best-performing region last week with a gain of 3.5%, followed by EM Eastern Europe (3.0%), EMU (2.6), and EAFE (2.2). BRIC was the biggest underperformer, albeit with a gain of 1.5%, followed by EM Asia (1.6) and EMEA (2.0). Peru was the best-performing country last week, rising 10.1%, followed by Greece (7.7), Austria (6.0), Norway (5.7), and Brazil (5.1). Among the 20 countries that underperformed the AC World ex-US MSCI last week, the Philippines fared the worst with a decline of 5.5%, followed by Turkey (-3.5), Mexico (-0.4), Morocco (-0.1), and Hong Kong (-0.1). The US MSCI's ytd ranking dropped two spots w/w to 9/49 even as its ytd gain improved to 15.1%. The AC World ex-US rose 2.2ppts w/w to a 4.4% ytd gain. EM Asia is the best regional performer ytd, with a gain of 20.5%, followed by BRIC (12.4). The worst-performing regions ytd: EM Latin America (-23.3), EM Eastern Europe (-21.7), EMEA (-14.6), EAFE (2.1), and EMU (2.6). The best country performers ytd: Denmark (32.3), China (27.5), Korea (26.1), Taiwan (26.1), and Sweden (20.7). The worst-performing

countries so far in 2020: Colombia (-37.7), Greece (-32.4), Brazil (-28.3), Pakistan (-23.1), Egypt (-23.0), and Russia (-23.0).

S&P 1500/500/400/600 Performance ([link](#)): LargeCap rose last week for the third time in four weeks, but the MidCap and SmallCap indexes rose for a fourth straight week. SmallCap led for a third week with a 3.9% gain, ahead of MidCap (2.7%) and LargeCap (2.3). The LargeCap and MidCap both made new record highs during the week. SmallCap was out of a correction for only a third week as the index improved to 3.5% below its August 29, 2018 record high. Thirty-one of the 33 sectors rose last week compared to 21 rising a week earlier. Nineteen sectors are out of a correction now, of which seven are LargeCaps, six are MidCaps, and six are SmallCaps. SmallCap Energy rose 11.7% and was the best performer for a third straight week, followed by LargeCap Energy (8.5%), MidCap Energy (8.3), SmallCap Tech (4.8), and MidCap Tech (4.7). MidCap Health Care was the biggest underperformer last week with a decline of 0.5%, followed by LargeCap Real Estate (-0.4), LargeCap Utilities (0.2), and LargeCap Health Care (0.5). LargeCap leads so far in 2020 with a gain of 12.6%, ahead of MidCap (6.9) and SmallCap (3.8). Twenty of the 33 sectors are now up so far in 2020, with the best performers led by LargeCap Information Technology (33.7), LargeCap Consumer Discretionary (29.8), MidCap Consumer Discretionary (26.0), SmallCap Consumer Discretionary (23.6), and MidCap Tech (23.0). The biggest laggards of 2020 to date: SmallCap Energy (-43.0), MidCap Energy (-41.5), LargeCap Energy (-36.5), MidCap Real Estate (-17.1), and SmallCap Real Estate (-15.8).

S&P 500 Sectors and Industries Performance ([link](#)): Ten of the 11 S&P 500 sectors rose last week and six outperformed the composite index's 2.3% gain. That compares to a 0.8% decline for the S&P 500 a week earlier, when four sectors rose and five outperformed the index. Energy's 8.5% gain made it the best performer of the week, ahead of Financials (4.6%), Consumer Discretionary (3.0), Communication Services (2.7), Materials (2.7), and Industrials (2.4). The worst performers: Real Estate (-0.4), Utilities (0.2), Health Care (0.5), Consumer Staples (0.6), and Tech (2.1). The S&P 500 is now up 12.6% so far in 2020, with just four sectors ahead of the index and seven sectors in positive territory. The leading sectors ytd: Information Technology (33.7), Consumer Discretionary (29.8), Communication Services (19.5), and Materials (16.5). The laggards of 2020 so far: Energy (-36.5), Financials (-7.8), Real Estate (-5.3), Utilities (-1.8), Consumer Staples (6.2), Health Care (7.1), and Industrials (8.9).

Commodities Performance ([link](#)): Last week, the S&P GSCI index rose 3.8% for its fourth straight weekly gain. It's still down 12.7% from its recent high on January 6 and still in a bear market at 22.8% below its four-year high on October 3, 2018. Twenty of the 24 commodities that we follow moved higher last week. GasOil was the best performer last week with a gain of 8.9%, followed by Unleaded Gasoline (8.2%), Crude Oil (7.3), Heating Oil (7.2), and Brent Crude (7.1). Silver was the biggest decliner for the week with a drop of 7.6%, followed by Gold (-4.8), Sugar (-2.6), and Zinc (-0.1). Fifteen of the 24 commodities that we follow are higher so far in 2020, unchanged from a week earlier. The best ytd performers: Natural Gas (29.9), Silver (26.3), Soybeans (24.7), Zinc (22.4), and Copper (21.6). The worst performers ytd: GasOil (-35.6), Heating Oil (-31.5), Brent Crude (-26.9), Crude Oil (-25.4), and Unleaded Gasoline (-25.1).

S&P 500 Technical Indicators ([link](#)): The S&P 500 rose 2.3% last week and remained above its short-term, 50-day moving average (50-dma) for a fourth week and above its 200-dma for a 22nd 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 dmases compare relative to one another, the index's 50-dma relative to its 200-dma improved and the index was in a Golden Cross (with 50-dmas higher than 200-dmas) for a 20th 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 9.7% above its 200-dma from 9.1% a week earlier. That 9.7% reading is the highest since March 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 dmases, the S&P 500's 50-dma rose for a fourth week after falling a week earlier for the first time in 24 weeks. The price index improved to 5.4% above its rising 50-dma from 3.8% 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 was above its 200-dma for a 22nd week and rose for a fourth week after falling the week before that. The price index improved to 15.6% above its rising 200-dma from 13.3% above its rising 200-dma a week earlier. That 15.6% reading is 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 a ninth straight week. Energy was solidly above its 50-dma for a third week and for the first time since late June. All 11 sectors traded above their 200-dmas, up from ten a week earlier as Energy moved above its 200-dma for the first time since mid-January. 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 been in that club for 107 straight weeks. All 11 sectors have a rising 50-dma, unchanged from a week earlier. 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 38th week despite moving into the Golden Cross club in mid-October. Energy's 200-dma has been mostly falling since October 2018.

Stock Market Sentiment Indicators ([link](#)): The Bull/Bear Ratio (BBR) moved higher for the third week last week, to 3.76 (highest since January 2018), as bullish sentiment surpassed 60.0%; the three weeks of strength came after a drop in the index from 3.00 to 2.60 during the first week of November. Bullish sentiment jumped 11.0ppts (to 64.6% from 53.6%) over the three-week span—the most bulls since January 2018—after sliding 7.0pts (53.6 from 60.6) during the first week of November. Bearish sentiment, conversely, fell for the third week from 20.6% to 17.2% over the period; it had been fluctuating in a range from 19.4% to 23.2% the prior two months. The correction count fell for the second time in three weeks by 7.6ppts (to 18.2% from 25.8%), dropping below 20%—a depressed reading last seen in September 2018. The AAll Ratio rose to 63.2% during the final week of November after falling from 69.2% to 62.7% the previous week, as bullish sentiment rose from 44.4% to 47.3% and bearish sentiment climbed from 26.4% to 27.5%.

US ECONOMIC INDICATORS

Consumer Sentiment Index ([link](#)): The election and Covid-19 weighed heavily on consumer expectations in November, pushing the overall Consumer Sentiment Index (CSI) down to 76.9 (little changed from its mid-month reading). This result came after a three-month jump of 9.3 points (to 81.8 from 72.5) from July through October. The expectations component of the CSI

tumbled 8.7 points in November alone, to 70.5 (below its mid-month level of 71.3), after three-month spike of 13.3 points from 65.9 in July to 79.2 in October. The present situation component rose to 87.0 (above its mid-month reading of 85.8) after falling from 87.8 to 85.9 in October. The report notes that Democrats rather than Republicans have a more optimistic economic outlook for the first time since Trump took office and that the recent rise in Covid-19 infections has impacted the lives of Democrats (59%) more than Republicans (36%). Richard Curtin, the director of the surveys, warns: “The approval of vaccines will heighten concerns about vaccination priorities, especially when accompanied by the expected increase in deaths in the next several months. These events are likely to promote more closures and stay-at-home orders in addition to mandatory masks and social distancing. Widespread closures would incur a heavy toll on the entire economy and cause escalating hardships among some households. A delay in federal aid until next year would allow great harm and permanent damage to occur to many firms, local governments, and households.”

Durable Goods Orders & Shipments ([link](#)): Both core capital goods orders and shipments have bounced back further above their pre-pandemic levels, while total durable goods orders just surpassed its pre-Covid-19 reading in October. Nondefense capital goods orders ex aircraft (a proxy for future business investment) advanced for the sixth month, by 0.7% in October and 14.2% over the period, while core capital goods shipments (used in calculating GDP) increased 2.3% and 13.5% over the comparable periods. Orders for total durable goods also climbed for the sixth month, advancing 1.3% in October and 43.7% over the period. Motor vehicle & parts orders—a big contributor to the April-to-July rush in orders—has declined in two of the past three months for a net drop of 6.1%; however, it is still up a whopping 172.5% since April’s bottom, and is 1.2% above its pre-pandemic level. Excluding transportation, orders climbed 1.3% in October and 15.5% the past six months, more than recovering its Covid-19-related decline.

New Home Sales ([link](#)): New single-family home sales (counted at the signing of a contract) have levelled off recently, though the market remains very strong, and builder confidence is through the roof. Sales slipped 0.3% in October to 999,000 units (saar) in October, while there was a big upward revision to September sales, showing a 0.1% uptick to a cyclical high of 1.002mu, rather than the preliminary estimate of a 3.5% drop to 959,000 units. Regionally, all four regions are considerably above October 2019 levels: Northeast (86.4% y/y), Midwest (51.4), South (40.1), and West (35.9). The number of new home sales on the market was unchanged at 278,000 units in October—the lowest since July 2017—with the months’ supply (3.3), holding at its record low. NAHB’s Housing Market Index (HMI) climbed 60 points during

the seven months through November to a new record high of 90, after plunging a record 42 points in April alone to 30—the lowest builder confidence since mid-2012 and the first reading in negative territory (below 50) since mid-2014. All three measures of the HMI are at their highest levels in the 35-year history of the survey—moving sharply off their April lows: current sales (to 96 from 36 in April), future sales (89 from 36), and traffic of prospective buyers (77 from 13).

GLOBAL ECONOMIC INDICATORS

Eurozone Economic Sentiment Indicators ([link](#)): Economic Sentiment Indexes (ESIs) declined noticeably in November in both the Eurozone (-3.5 points to 87.6) and the EU (-3.6 points to 86.6)—their first declines since hitting bottom in April at 64.9 and 63.8, respectively. From a country perspective, ESIs for Italy (to 81.5 from 90.2) and France (86.9 from 91.7) posted the biggest declines this month, pushing them 19.8 points and 18.6 points, respectively, below their pre-Covid levels of 101.3 and 105.5. Meanwhile, declines in ESIs for Germany (94.2 from 97.0) and Spain (87.5 from 89.5) were more contained, while the Netherlands bucked the trend with a small improvement of 1 point to 90.7; Germany, Spain, and the Netherlands were 7.6, 15.2, and 11.5 points below their pre-Covid readings of 101.8, 102.7, and 102.2. At the sector level for the overall Eurozone, industry (to -10.1 from -9.2) confidence took a small hit this month—its first decline in seven months—after rebounding to within 3.0 points of its pre-Covid level in October, while construction (-9.3 from -8.3) confidence also posted only a small decline. Meanwhile, retail trade confidence saw an abrupt end to its six-month recovery, sinking to -12.7 in November after rebounding from -30.1 in April to -6.9 by October; consumer confidence deteriorated for the second month from -13.9 in September to -17.6 this month.

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