

# THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished November at 29,639, up +11.84% for the month and +3.86% year-to-date. The S&P 500 closed November at 3,622, up +10.75% for the month and +12.10% so far for the year. The NASDAQ Composite gained +11.80% in November, up +35.96% for the year. Small-company stocks, as measured by the Russell 2000, ended November up +18.29% for the month, +9.07% year-to-date. Energy (+28.30%) was the best performing sector in November.

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"With a drumbeat of promising reports on Covid-19 vaccines and the easing of U.S. election uncertainty, stocks soared in November. The S&P 500 gained 11%, its best month since April." (The Wall Street Journal, *The Stock Market's Rally Is Finally Widening*, Karen Langley, November 30, 2020)

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## Markets and COVID at Record Levels as 2020 Comes to an End

November was the best month for the Dow Jones Industrial Average since January 1987, as most of the major market indices saw double digit-gains for the month. Sectors of the market which struggled through 2020, such as oil companies, banks, and small caps, saw outsize gains - while 'stay-at-home' stocks such as Amazon and Zoom Video lagged. Markets responded favorably to news that multiple vaccine candidates showed efficacy and safety in late stage clinical trials, a settling of political uncertainty following November's general election, and a renewed focus on a relief bill from Congress. Optimism is being priced in that the U.S. economy will get through the winter months while vaccines are distributed and administered, and that there will be a gradual return to more normal conditions through the middle of 2021.

This outlook has persisted despite increasing and record setting infection and hospitalization rates from COVID-19. California, the fifth largest economy in the world, recently announced additional stay-at-home orders to curb this third wave of infection, and many other states have also implemented new restrictions to varying degrees. With widespread vaccine distribution expected to be months away, markets are mostly ignoring these real and devastating risks to the economy at current price levels. Also priced in is additional relief spending from Congress, which has been stuck in negotiations since the summer. Near-term market risks are to the downside, in our view, as markets appear to be overly optimistic that the next few months won't leave costly and lasting damage to the economic recovery. Workers in certain industries, such as restaurant workers, have now been laid off for the third time this year, and a tragic number of small businesses are expected to shutter in the near-term as unemployment and small business relief funding expires. Investors are encouraged to maintain an appropriate level of cash reserve, and to keep a long-term perspective as near-term volatility is expected. We thank our readers for joining our coverage of the Capital Markets during a difficult 2020, and pray that all of our clients, churches, institutions and your families have a very Merry Christmas and a blessed beginning to a New Year 2021.

**"Rarely have investors had better reason to be optimistic. Vaccines are imminent, the economy's doing well and money has never been cheaper. After an awful year, things are finally looking up. The trouble is that investing involves not just predicting the future, but comparing it to what is already priced in. If everyone already expects everything to be great, and it turns out that way, there is no particular reason for asset prices to change. And at the moment, it seems that everyone already expects everything to be really fantastic."** (The Wall Street Journal, *The Market Expects That Everything Will Be Awesome*, James Mackintosh, Nov. 30, 2020)

## Jobs Numbers Disappoint for November

U.S. employers added a disappointing 245,000 jobs in November, down from 610,000 in October. At that pace, the economy would replace all the jobs lost due to COVID-19 in 2024. Brick-and-mortar retail saw job losses, despite the upcoming holiday season, and the government jobs sector declined by nearly 100,000, mostly reflecting the loss of temporary census workers. E-commerce was a rare bright spot, with 145,000 jobs added in warehousing and transportation. In a troubling sign, many workers facing increased child-care responsibilities or limited job prospects are leaving the labor force altogether. In November, the unemployment rate ticked down from 6.9% to 6.7%, though partly due to a shrinking labor pool. The labor force participation rate stood at 61.5% in November, up from April's low, but still near the lowest level since the 1970's. Whether this slowdown proves seasonal or more persistent will be an important signal for markets in the months ahead.

## MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 10/31/2020	CLOSE AS OF 11/30/2020	CHANGE PREVIOUS MONTH END	2020 YTD % CHANGE
Dow Jones Industrial Average	26,501.60	29,638.64	+3,137.04	+3.86%
S&P 500	3,269.96	3,621.63	+351.67	+12.10%
NASDAQ Composite	10,911.59	12,198.74	+1,287.15	+35.96%
RUSSELL 2000	1,538.48	1,819.82	+281.34	+9.07%
Fed Funds Rate	0.00%- 0.25%	0.00% - 0.25%	UNCHANGED	
2-Year Treasury	0.14%	0.16%	+0.02%	
10-Year Treasury	0.88%	0.84%	-0.04%	
Crude Oil \$ per Barrel	\$35.79	\$45.34	+\$9.55	-25.75%
Gold \$ per Troy oz.	\$1,879.90	\$1,780.90	-\$99.00	+16.93%
UK Pound in U.S. \$	\$1.2930US = 1£	\$1.3351US = 1£	\$ WEAKER	+0.78%
Euro in U.S. \$	\$1.1649US = 1€	\$1.1962US = 1€	\$ WEAKER	+6.57%
Canada \$ per U.S. \$	\$1.33335C = \$1.00US	\$1.2959C = \$1.00US	\$ WEAKER	-0.07%
Japan Yen per U.S. \$	104.54¥ = \$1.00US	104.275¥ = \$1.00US	\$ WEAKER	-4.05%



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