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# THE ECONOMY AT A GLANCE

## ECONOMIC HIGHLIGHTS

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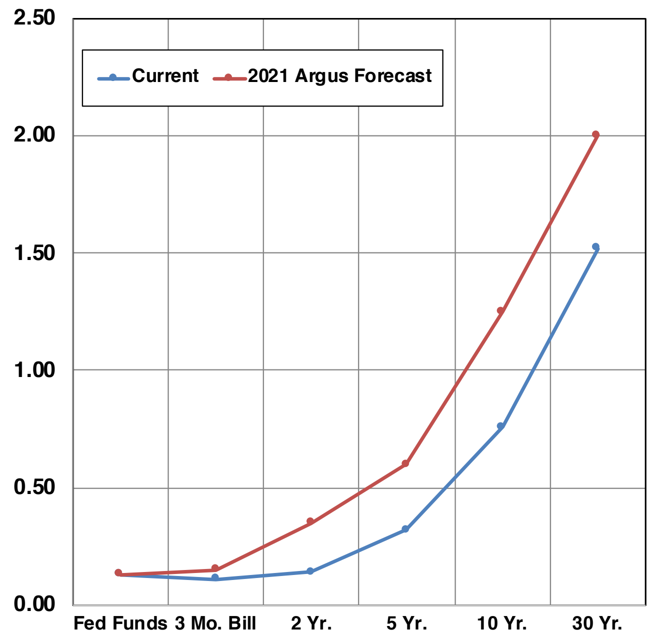
### HO-HUM BOND MARKET A WELCOMED REPRIEVE

During the third quarter, U.S. Treasuries remained range-bound as Federal Reserve programs implemented in the second quarter reduced volatility in the bond market. The Fed also announced that interest rates would remain low through at least the end of 2023. Rates will remain low to support the recovery from the pandemic-related shutdown, supporting the two mandates of low unemployment and controlled inflation. The Fed also announced that it would let inflation run above its 2% target for a time, undoing a previous policy of raising rates when inflation rose above 2%. Having increased its balance sheet to $7 trillion from $4 trillion, the Fed indicated that it will continue with purchases of U.S. Treasuries and MBS securities at approximately $120 billion per month. Corporate bond ETFs and individual investment-grade securities purchases will continue only as needed to support an orderly market. We think the Fed's activities will keep short-term rates lower through next year. Still, a rebounding economy, as well as aggressive fiscal spending, may cause inflation expectations to pick up next year (pushing longer-term interest rates slightly higher).

YIELD CURVE & OUTLOOK

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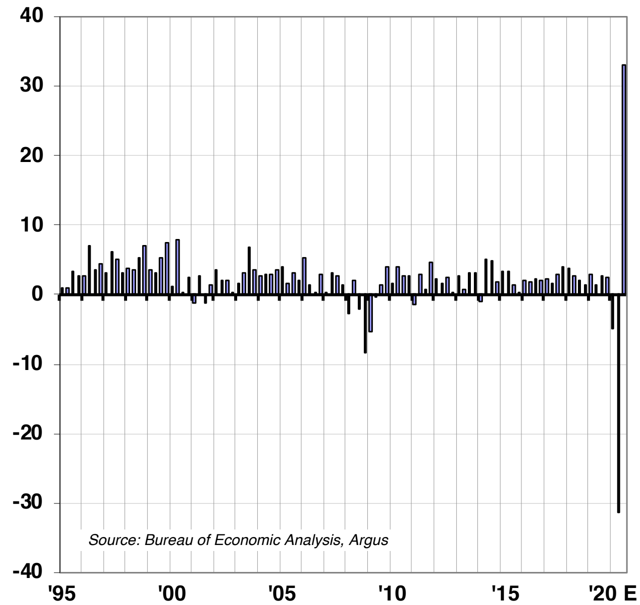
## GDP REBOUNDS 33% IN 3Q

U.S. GDP expanded at an astonishing 33.1% rate in 3Q20, as the economy rebounded from a coronavirus-driven 2Q20 plunge of 31.4%. As expected, personal consumption expenditures led the recovery and expanded by almost 41%. Spending on durable goods jumped 82%, while spending on services and nondurable goods grew 28% and 29%, respectively. Investment in equipment rebounded (with 70% growth) and housing investment increased 59%. Exports soared 60%, driven by a doubling in exports. The negatives? In this report, there were very few. Investment in intellectual property products fell 1.0%, while investment in structures declined 15%. Government spending fell 4.5%. There are larger negative implications from the GDP report, though. On an absolute basis, GDP advanced 8% in 3Q to $21.2 trillion. That does not make up for the 9% decline in 2Q. Indeed, at the current level, GDP is still 3% below its pre-pandemic high. Meanwhile, COVID-19 cases continue to climb, as the nation heads indoors for the winter.

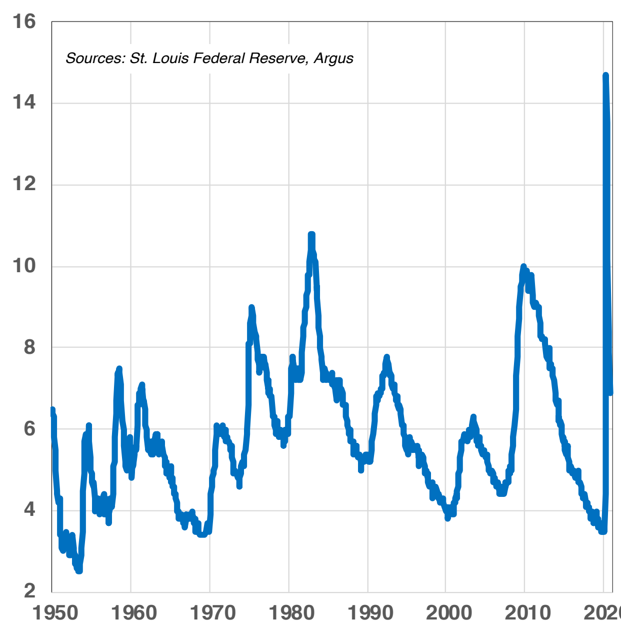
REAL GDP (% GROWTH/QTR)




## UNEMPLOYMENT RATE DOWN TO 6.9%

The U.S. economy added back 638,000 jobs in October (a bit above our forecast of 625,000) as companies continued to bring employees back to work. The unemployment rate dropped from 7.9% in September to 6.9%. Employment rose sharply in Leisure & Hospitality (almost one-third of the month's total gains), Retail Trade, Construction and Professional & Business Services. The government workforce was down more than 260,000, largely due to a reduction in local government education as well as the loss of census workers. The Labor Department also reported that another 750,000 people filed initial unemployment claims; the total of continuing claims is 8.2 million. Those figures indicate that the employment environment, while improving, is still under stress. We expect the unemployment rate to remain high into 2021 as the U.S. economy slowly recovers. That recovery may depend on additional fiscal stimulus, as well as progress against the virus, as COVID-19 cases continue to soar.

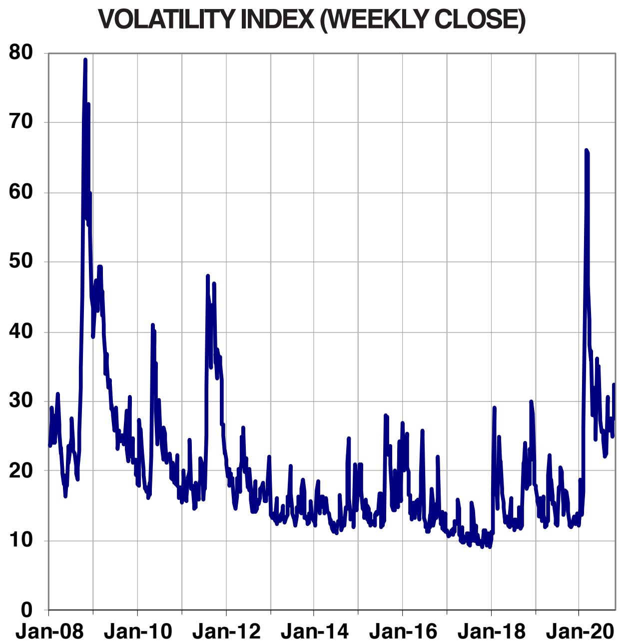
U.S. UNEMPLOYMENT RATE (%)



# FINANCIAL MARKET HIGHLIGHTS

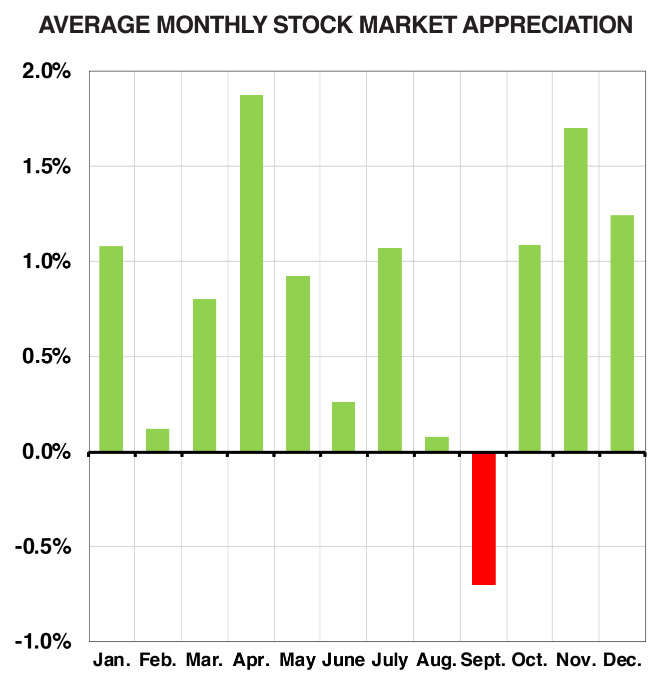
## VOLATILITY INCREASES

Stocks were volatile in advance of the U.S. presidential election and in response to rising COVID-19 cases. With several vaccine developers now getting back on track after halted trials, the prospects for widespread distribution and "back-to-normal" conditions are now pushed out to summer 2021, at the earliest. U.S. investors must now also consider the impact of a Biden presidency on sectors such as Healthcare, Energy, and Financial Services. The VIX Volatility index reflects this uncertainty. Pre-pandemic, with unemployment at historic lows of 3.5%, the VIX was trading around 12. It has recently been about triple that level. In this environment, we recommend that investors focus on high-quality stocks with strong balance sheets and experienced management.




## INVESTORS LIKE NOVEMBER

The U.S. stock market tends to rise over time despite an often difficult October. This long-term upward trajectory has a foundation in the country's democratic political system and market-based, capitalist economic system. In theory, the stock market efficiently allocates the nation's capital to generate solid investment returns. Theory typically turns into reality in November, which since 1980 has been the second-best month for equity performance, with an average 1.7% gain, narrowly trailing April (+1.8%) but ahead of December (+1.2%) and January (+1.1%). November's batting average is high as well: stocks rise during the month 73% of the time. The best Novembers have been 1980 (+10.2%), 2001 (+7.5%), 1996 (+7.3%), 1985 (+6.5%) and 1998 (+5.9%). Clunkers include 2000 (-8%), 2008 (-7.5%) and 1987 (-5.9%). The month usually starts at a fast pace, as some companies are still reporting earnings, nonfarm payrolls are reported, and IPOs are launched before the holiday season. By Thanksgiving, volume dwindles. This November is different, of course, with the pandemic, the recession, and the election. Those are three tall hurdles for the market to overcome in a historically strong month.



# ECONOMIC CALENDAR

### Previous Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 12-Nov | Consumer Price Index | October | 0.2% | 0.1% | 0.1% | NA |
| | CPI ex-Food & Energy | October | 0.2% | 0.2% | 0.2% | NA |
| 13-Nov | PPI Final Demand | October | 0.4% | 0.3% | 0.3% | NA |
| | PPI ex-Food & Energy | October | 0.4% | 0.3% | 0.3% | NA |
| | U. of Michigan Sentiment | November | 81.8% | 81.0% | 81.8% | NA |

### Next Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 24-Nov | Consumer Confidence | November | 100.9 | NA | NA | NA |
| 25-Nov | Wholesale Inventories | October | 0.4% | NA | NA | NA |
| | Real GDP | 3Q | 33.1% | NA | NA | NA |
| | Durable Goods Orders | October | 1.9% | NA | NA | NA |
| | Personal Income | October | 0.9% | NA | NA | NA |
| | Personal Spending | October | 1.4% | NA | NA | NA |
| | New Home Sales | October | 959K | NA | NA | NA |
| | GDP Price Index | 3Q | 3.6% | NA | NA | NA |