



WEEKLY MARKET UPDATE

November 16, 2020



Election behind us, Vaccines ahead

If I dare say, the elections are behind us and we appear to have a new president starting on January 20th. The only thing left is to figure out control of the Senate, which appears to be leaning red at this time. As we said last week, we think the “market” likes a divided government and thus had a nice rally last week.

That rally, though, was not wholly attributable to politics. Perhaps more influential was the news from Pfizer/BioNTech showing their vaccine trials were preliminarily showing a 90% effectiveness against COVID-19. We will find out more details as the trial progresses, but they will likely get emergency approval soon and we could see doses shipped this year potentially. But wait, there’s more!

Moderna came out this morning to say that their vaccine was 94.5% effective in trials thus far, one-upping Pfizer’s news last week. Another bonus for the Moderna vaccine is that it can be stored at a much more reasonable temperature, making shipping and distribution easier. There are a couple more companies (see below from our good friends at ARK Invest) that have related mRNA technology (a previously unproven technology in vaccines), with one holding the potential for a one dose solution. Let’s keep our fingers crossed that these vaccines continue to show great efficacy.

Company	Temperature	Dose Level	Doses
Pfizer/BioNtech	-94 F	30 µg	2
Moderna	-4 F	100 µg	2
CureVac	+ 41 F	12 µg	2
Arcturus Therapeutics	n/a	7.5 µg	Potentially 1

For informational purposes only and should not be considered investment advice, or a recommendation to buy, sell or hold any particular security. Source: ARK Investment Management, LLC. Data sourced from Company Press Releases, <https://www.reuters.com/article/us-health-coronavirus-vaccines-distribute/why-pfizers-ult-re-covid-19-vaccine-will-not-be-at-the-local-pharmacy-any-time-soon-idUSKBN37P2V1>, and <https://www.nejm.org/doi/full/10.1056/nejmos2022483>.

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Not that it means much, but the DOW industrials are flirting with 30,000. Keep in mind that the DOW is a price weighted index, meaning that the stock with the highest dollar price has the highest weighting. Apple held the most sway until their share split earlier this year. It now looks like United Health, Home Depot, and Salesforce.com are the three largest weighting. Keep in mind the index is only 30 companies, so it's certainly not a perfect representation of the markets or the economy – but it's worth looking at, regardless, as part of the bigger picture.

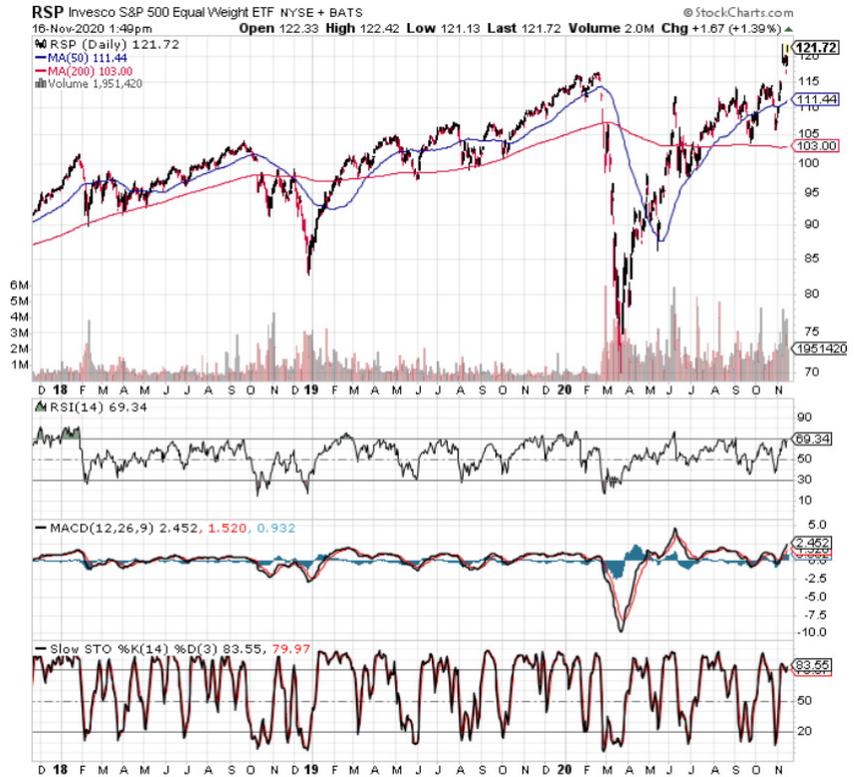


We noted last week that many of the indexes broke out of their trading bases and were setting up for higher levels, and that's exactly what we got last week, with a continuation today. So what do the tea leaves say now?

We can see from the chart below that on a short-term view the markets are due for a pause. Longer term you can see that they have broken out after a long COVID pullback and recovery. Typically, the breakout will lead to further movement in that direction (in this case it happens to be up). We would expect a rotation to areas that have underperformed over the last couple years and especially this year. Those would likely be energy, financials, and industrial companies. Basically, those companies that are most leveraged to an economy that is healing and coming back online. The areas that would likely most underperform are the “lockdown” stocks. Unless we see another hard lockdown, we would expect the vaccine news, together with continued vigilance on the part of the general public, to continue to provide hope of a return to normalcy and reopening.

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That seems a bit counterintuitive given that many states are curtailing gatherings and leisure activities at the moment given the case surge. I haven't shown this chart for a while, but I will show the top countries around the world and their statistics. While we do see the new cases spiking for a third time, we aren't yet seeing the same large spike in deaths (that's a good thing and hopefully it stays that way). On a side note, researchers in Italy have found that the virus likely started in September of last year (months before the first suspected case), [click here](#) if you want to read more.



Finally, as I round out this week's commentary, it is important to note that our model has shown a big uptick in the favorability of international equities, making one of the biggest point moves since 2009. While it is still in third place right now, it is positioning itself to take over the second-place position currently held by fixed income. We will continue to see how it progresses and continue to act within the constraints of our model and process.

All	Europe	North America	Asia	South America	Africa	Oceania	Active Cases	Serious, Critical	Tot Cases/ 1M pop	Deaths/ 1M pop	Total Tests	Tests/ 1M pop	Population
World		55,130,249	+307,205	1,328,881	+4,455	38,320,297	15,481,071	99,230	7,073	170.5			
1 USA		11,426,735	+68,521	252,145	+244	6,957,988	4,215,602	20,709	34,443	760	168,691,953	508,518	331,732,757
2 India		8,868,468	+22,851	130,417	+308	8,282,065	455,986	8,944	6,403	94	125,698,525	90,751	1,385,086,067
3 Brazil		5,863,093		165,811		5,291,511	405,771	8,318	27,510	778	21,900,000	102,756	213,127,014
4 France		1,981,827		44,548		139,810	1,797,469	4,896	30,337	682	19,005,625	290,926	65,328,048
5 Russia		1,948,603	+22,778	33,489	+303	1,453,849	461,265	2,300	13,350	229	69,111,898	473,505	145,958,133
6 Spain		1,621,899	+12,758	41,253	+162	N/A	N/A	3,156	32,546	882	20,742,051	443,570	46,761,629
7 UK		1,369,318		51,934		N/A	N/A	1,355	20,131	764	37,918,526	557,459	68,020,236
8 Argentina		1,310,491		35,436		1,129,102	145,953	4,365	28,896	781	3,452,519	76,128	45,351,219
9 Italy		1,205,881	+27,354	45,733	+504	442,364	717,784	3,492	19,956	757	19,031,049	314,937	60,428,130
10 Colombia		1,198,746		34,031		1,104,956	59,759	2,376	23,465	666	5,735,021	112,262	51,085,837
11 Mexico		1,006,522	+3,269	98,542	+283	750,190	157,790	2,941	7,776	761	2,610,548	20,168	129,439,742
12 Peru		937,011		35,231		863,120	38,660	997	28,272	1,063	4,802,591	144,905	33,143,099
13 Germany		813,659	+10,715	12,815	+123	515,200	285,644	3,385	9,700	153	25,010,416	298,151	83,884,996
14 Iran		775,121	+13,053	41,979	+486	564,699	168,443	5,677	9,185	497	5,545,444	65,709	84,394,287
15 South Africa		751,024		20,241		693,467	37,316	546	12,604	340	5,110,384	85,762	59,587,901
16 Poland		733,788	+20,816	10,491	+143	306,022	417,275	2,103	19,397	277	5,645,233	149,223	37,830,907
17 Ukraine		545,689	+9,832	9,697	+94	244,197	291,795	177	12,506	222	3,876,966	88,852	43,633,734

Dom. Equities	Fixed Income	Int'l Equities	Cash	Currency	Commod
298	206	162	158	138	120
27.5%	19.0%	15.0%	14.6%	12.8%	11.1%
(+2)	(+0)	(+0)	(+0)	(-3)	(+0)

As always, we welcome your comments and questions. In the meantime, we'll continue to test our assumptions, dig into our research, and lean into our model as we seek to be ever mindful of risk while pursuing long-term returns for your portfolio. Perhaps next week we'll share some fun Thanksgiving recipes, as it seems more of us may be preparing dinner this year than in the past!





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