

Weekly Update

Housing Market Leads Economic Recovery

November 20, 2020

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The Economy

- Market conditions for single-family homes advanced from 85 in October to a record-breaking 90 in November, according to the National Association of Home Builders/Wells Fargo Housing Market Index, due to a combination of ultra-low mortgage rates and robust demand for single-family homes. Economists and analysts say the housing market is leading the economic recovery in the U.S.
- Retail sales growth eased to 0.3% in October, its slowest rate since spring. The underwhelming reading signals that the U.S. economic recovery is losing steam amid a surge in coronavirus cases across the country. However, the report also marked the sixth consecutive month of gains in sales as businesses stayed open and consumers shopped for automobiles, electronics and home-improvement supplies. Consumer spending accounts for about 70% of U.S. economic activity.
- Total import prices unexpectedly weakened by 0.1% in October, primarily due to lower fuel costs. Export prices rose by 0.2% on higher non-agricultural costs, pointing to a slow return to U.S. economic strength and low inflation.
- Industrial production advanced by 1.1% in October. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) increased from 72.0% to 72.8% during the month. Manufacturing output gained 1.1%.
- U.S. economic health continued to improve by 0.7% in October, in line with the prior month, as measured by the Conference Board's Leading Economic Index (a composite of 10 forward-looking components). Growth is expected to weaken in the months ahead as the pandemic worsens. A leading indicator is defined as an economic factor that changes before the rest of the economy begins to move in a particular direction.
- Mortgage-purchase applications jumped by 4.0% for the week ending November 13, while refinancing applications diminished by 2.0%. The average interest rate on a 30-year fixed-rate mortgage moved lower from 2.84% to 2.72%. Limited housing supply put upward pressure on home prices, which has hindered affordability.
- Initial jobless claims increased by 31,000 to 742,000 during the week ending November 14. New applications for unemployment benefits remained historically high despite plunging in May from a peak of 7 million claims in March.
- U.K.'s Confederation of British Industry Industrial Trends Report remained in negative territory in November, indicating that the manufacturing sector continued to struggle in the current environment.

Stocks

- Global equity markets closed higher for the week. Developed markets led emerging markets.
- U.S. equities were deep in negative territory. Energy and materials were the top performers, while utilities and healthcare lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.83%. Global bond markets were positive this week. Global corporate bonds led, followed by high-yield bonds and global government bonds.

The Numbers as of November 20, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	0.7%	8.0%	12.5%	610.3
MSCI EAFE (\$)	1.4%	-0.5%	3.2%	2026.4
MSCI Emerging Mkts (\$)	1.0%	7.7%	14.9%	1200.4
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	-0.5%	2.8%	5.6%	29330.9
S&P 500 (\$)	-0.7%	10.2%	14.8%	3561.7
NASDAQ (\$)	0.5%	32.5%	39.8%	11890.6
S&P/TSX Composite (C\$)	2.0%	-0.4%	0.0%	17000.9
U.K. & European Equities				
FTSE All-Share (£)	0.7%	-14.5%	-10.4%	3586.5
MSCI Europe ex UK (€)	0.6%	-3.2%	-1.0%	1392.4
Asian Equities				
Topix (¥)	1.4%	0.4%	2.2%	1727.4
Hong Kong Hang Seng (\$)	1.1%	-6.2%	-0.1%	26451.5
MSCI Asia Pac. Ex-Japan (\$)	1.2%	12.2%	18.9%	620.1
Latin American Equities				
MSCI EMF Latin America (\$)	4.9%	-25.2%	-18.4%	2183.2
Mexican Bolsa (peso)	2.8%	-3.7%	-3.1%	41930.8
Brazilian Bovespa (real)	1.1%	-8.4%	-1.5%	105896.1
Commodities (\$)				
West Texas Intermediate Spot	5.0%	-31.0%	-28.0%	42.2
Gold Spot Price	-1.0%	23.0%	27.8%	1872.4
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	0.5%	7.2%	7.7%	548.7
JPMorgan Emerging Mkt Bond	0.2%	3.8%	6.1%	915.4
10-Year Yield Change (basis points*)				
US Treasury	-7	-109	-94	0.83%
UK Gilt	-4	-52	-45	0.30%
German Bund	-3	-40	-26	-0.58%
Japan Govt Bond	-1	2	12	0.01%
Canada Govt Bond	-7	-104	-82	0.66%
Currency Returns**				
US\$ per euro	0.2%	5.8%	7.3%	1.186
Yen per US\$	-0.8%	-4.4%	-4.4%	103.82
US\$ per £	0.8%	0.3%	2.9%	1.329
C\$ per US\$	-0.4%	0.7%	-1.5%	1.309
Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.				

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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