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Wall Street Solutions *with* Main Street Values!

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November market review

Dear Great Lakes Wealth Clients & Friends,

As we know, there is nothing inherently unique about big number milestones, but nonetheless, seeing the Dow Jones Industrial Average close over 30,000 for the first time certainly feels special – especially considering the year we've experienced. The difficulties facing the economy and the markets shouldn't be understated, but through November the promise of normal was seemingly a powerful counter.

As COVID-19 cases continued to reach new highs, investors were bolstered by positive developments, the greatest of which was encouraging news about three COVID-19 vaccines that were shown to be highly effective through trials. Corporate earnings for the third quarter were also stronger than expected, providing a greater than expected boost, and the likelihood of a split federal government may have eased fears about broad changes to taxation.

As a result – in addition to the Dow's new high – the S&P 500 posted its strongest month since April and the Russell 2000, which has tracked smaller companies' stocks since 1984, saw its largest increase on record.

While the vaccine will likely not be widely available to the general public until the first quarter of 2021, at the earliest, the positive efficacy results through the vaccine trials led some of the most virus-sensitive companies' stocks to outperform.

Looking more broadly at the economy, indicators continue to show signs of improvement, but at a more moderate pace compared to summer – surging infection rates through the holiday season pose a downside risk to the economy into early 2021.

A number of fiscal policy initiatives are also set to expire at year-end and the prospects for further support from Congress remain uncertain. However, the economy is expected to pick up significantly as vaccines are distributed next year.

Before we dive into D.C. and beyond, let's look at where the domestic equity markets are as we approach the end of the year:

	12/31/19 Close	11/30/20 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	28,538.44	29,638.64	+1,100.20	+3.86 %

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NASDAQ	8,972.61	12,198.74	+3,226.13	+35.96 %
S&P 500	3,230.78	3,621.63	+390.85	+12.10 %
MSCI EAFE	2,036.96	2,053.83	+16.87	+0.83 %
Russell 2000	1,668.47	1,819.82	+151.35	+9.07 %
Bloomberg Barclays Aggregate Bond	2,225.00	2,387.01	+162.01	+7.28 %

Performance reflects price returns as of market close on Nov. 30, 2020. MSCI EAFE and Bloomberg Barclays Aggregate Bond values represent Nov. 27 closing prices.

Now to the details:

Georgia on everybody's mind

While there was hope that the election would calm political tempers and make it easier for the House, Senate and administration to reach a fiscal stimulus compromise, the continuing contests to decide the leadership of the Senate may have thrown those wishes to the wind.

The back and forth on partisan positions for the next fiscal bill continues, and we view the politics of the Georgia runoff races as playing a significant role. We expect positions to become clearer once Congress returns from the Thanksgiving recess.

Comments from Ron Klain, presumptive President-elect Joe Biden's chief of staff, suggest Biden is supporting a compromise package during the lame duck period, possibly in line with the $1.5 trillion package proposed by the House's bipartisan Problem Solvers Caucus, but significant hurdles remain.

It's not just equities

Hopes for the eventual return to normalcy pushed credit spreads, both high yield and investment grade, to new COVID-19-era lows and pushed energy prices to the highest level since March. We also saw the biggest bond yield swings since the start of the pandemic.

Demand for corporate debt continues to be strong, and both municipal and corporate bonds outperformed Treasuries through the month.

Oil prices, however, will likely remain choppy over the next three to four months. Although current lockdown restrictions across Europe and a dozen U.S. states are milder than the original ones in March and April, the amount of population affected is so large that impact on transportation and traffic is still unavoidable.

The bottom line

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The markets are showing a sense of optimism for the year ahead, as evidenced by some of the most sensitive sectors' outcomes through November.

We saw energy stocks trading up 39%, financials up 20% and industrials up 18% in just 17 days. While we are positive over the next six to 12 months, we would not be surprised for the road to be bumpy in the coming weeks and months.

It has become a familiar story, but we'll be sure to continue to see it through together.

- The markets will continue to digest the U.S. election results and watch stimulus package developments in Washington.
- Don't be surprised to see an increase in volatility heading into the New Year. With the optimism for 2021, we would use weakness as a buying opportunity. We plan to rotate and rebalance.
- Gold has broken thru $1,900 and recently touched $2,000 oz. We expect to see continued higher prices, to $2,300+ per ounce.
- Depending on your timeframe, current investment strategies should be based on what's happening "Now," "Next," and "Later."
- We currently have a "Buy" on all 12 of our strategies. Which one(s) is right for you? That just depends on your risk tolerance, ultimate objective, etc.
- Our current approach continues to be discipline and patience when both buying and selling. Volatility creates opportunity.

We hope you had a safe and fulfilling Thanksgiving and are preparing to enjoy the rest of the holiday season! Thank you for your continuing trust in us. As usual, if you have any questions or would like to discuss any aspect of your investments or financial plan, please be in touch.

If you would like information on becoming a Great Lakes Wealth client, please call us at 248.378.1200.

Sincerely,

Your Investment Team at Great Lakes Wealth