CONWAY• JARVIS LLC
Investment Outlook

Volume 30 Issue 4.0 December 4, 2020

Update

The Market Meanders to a New Record

After a relatively quiet, holiday-shortened week that saw the DOW30 penetrate the 30,000 level for the first time, stocks have since persisted in their grind higher across the board. As Value/Income issues continued to outperform Growth we saw record intraday highs this week, not only for the DOW but for the S&P 500 and NASDAQ as well. Naturally, this roused speculation of this advance being the start of a “Santa Claus” rally such as we saw a year ago. While we’re open to the idea, it would be improbable considering how good the month of November was.

How good? Led by Energy, Financials, and Industrials, the broad market posted some impressive, and memorable, returns. With a bump of 10.9%, it was the best November in history for the S&P500, eclipsing its previous record best of 1980. Meanwhile, the NASDAQ (+11.8%) notched its best November since 2001 while the DOW (+11.9%) posted its best single *month* since 1987. Those are pretty heady numbers and leave us wondering if Santa Claus has already delivered a month early.

It’s not inconceivable that we could rally through year-end. Expectations for early distribution of the COVID vaccine rose on its approval for use in the UK while the US still awaits clearance from the FDA. Renewed speculation regarding a second stimulus package has also enticed investors to place their bets on seeing the averages drift higher from here. While the short-term outlook gives rise to optimism, we know all too well how extending the view beyond to the longer term can alter investor sentiment.

The uncertainty of the January outcome of the Senate races in Georgia, failure to execute on a pledge to continue stimulus, and any negative speculation surrounding timely approval of a vaccine by the FDA could ground Santa’s sleigh. On the other hand, we could see favorable outcomes for all three risk factors. With that said and despite they’re being *segments* of the market that grab our attention, the current risk/reward proposition offered by the *broader* market at its current valuation doesn’t excite us.

This week’s employment data points to a slowing of the recovery in the jobs market. That could be a precursor to the economy stagnating in the first quarter of ’21 as service sector companies such as travel, leisure, sports, and hospitality continue to languish as a result of lockdowns. Their recovery hinges on timely distribution of the vaccine. While these are reasons to exercise caution in approaching the *market* at this level, they are by no means *probable* outcomes that would dissuade us from increasing equity exposure at the right price. Stay tuned.

Conway • Jarvis LLC