

Market Comment:

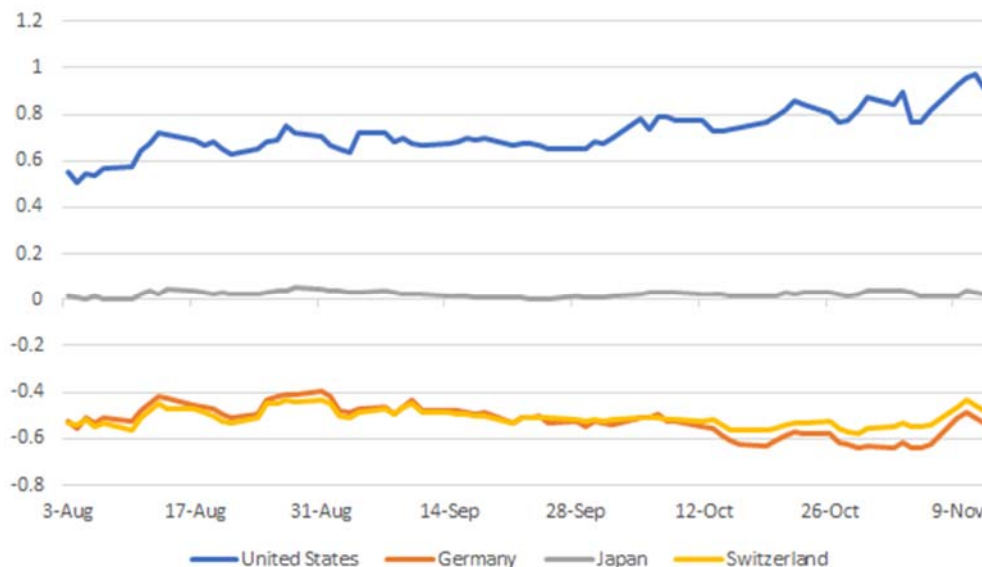
Are Treasury Yields on the Rise?

The yield on the 10-year US Treasury Note approached 1% last week. While a 1% yield pales in comparison to the +3% levels last seen in 2018, it marks a near doubling from the lows of early August. It also reflects good news for the US economy. Other developed markets have not been so fortunate (Fig. 1). Government bond rates in places like Japan, the Eurozone, and Switzerland remain significantly lower than US Treasuries and did not experience a commensurate increase over the last few months.

The recent uptick in Treasury yields can mostly be attributed to improving economic growth expectations, as market participants did not price meaningfully higher inflation expectations into Treasury rates. Ten-year inflation expectations sat at 1.6% at the beginning of August. Today they are at 1.7%.

What's to come? The US (and the world) face structural headwinds - like anemic economic growth, subdued inflation, and an aging population - to significantly higher government bond yields. However, the Fed has pledged to (1) keep the Fed Funds rate low "until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals" and (2) allow inflation to move above 2% for an extended period. Absent a national COVID-related shutdown, these are policy targets that will encourage modestly higher Treasury yields over the next 24-36 months.

Fig. 1: Ten-year government bond yields, August 1st – November 12th 2020 (%)



Updated Benchmark Performance:

Benchmark Performance by Asset Class			
	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Large Cap Equities	1.99%	9.68%	13.88%
U.S. Small Cap Equities	6.13%	13.44%	5.76%
International Developed Equities	3.89%	12.32%	0.18%
Emerging Markets Equities	1.03%	7.72%	8.66%
Global Equities	2.26%	10.03%	8.83%
U.S. Bonds	-0.14%	0.35%	6.68%
Intermediate Municipal Bonds	0.04%	0.38%	3.38%
High Yield Bonds	0.48%	2.60%	3.76%
Oil	7.90%	12.20%	-42.93%
Gold	-3.35%	0.34%	20.80%
Key Rates	11/13/2020	12/31/2019	11/13/2019
U.S. 2 Year Treasury Note	0.17	1.58	1.63
U.S. 10 Year Treasury Note	0.89	1.92	1.88

Week in Review:

The S&P 500 closed at an all-time high last week as Pfizer and BioNTech announced successful COVID-19 vaccine results. Meanwhile, as the pandemic continued to surge, daily cases of coronavirus and hospitalizations also reached record highs.

- The S&P closed at a record high to close the week on Friday. The index is up 11% year-to-date
- Investors rotated back into cyclical and small cap stocks, pushing the Russell 2000 index to a record high close to end the week.
- Also on Friday, the US documented a record 170,000 daily cases of coronavirus
- As of Saturday, 69,455 people were hospitalized with COVID-19, setting a new daily record.

On Monday, Pfizer and BioNTech announced the successful results of its COVID-19 vaccine trials. Key takeaways:

- The vaccine has proven to be at least 90% effective in a large, late-stage clinical trial. For reference, the seasonal flu vaccine is typically between 40% and 60% effective.
- Over 40,000 volunteers participated in the study.
- Pfizer can apply for emergency use authorization with the FDA once two months of safety data is established, which should happen this week.
- Current estimates project 50 million doses of the vaccine, enough for 25 million people, will be available by late-December or early-January.

This morning, Moderna also released vaccine trial results from a trial 30,000-subject trial. Moderna's vaccine has been shown to be 94.5% effective. The company is awaiting further safety data which will be available later this month. Clearance from regulators is expected sometime in December.

San-Francisco-based food delivery service DoorDash has filed paperwork to go public on the New York Stock Exchange under the ticker symbol DASH, as the wave of US IPOs continues. The US IPO market has already broken the record this year in terms of dollars raised. DoorDash, which was valued at \$15.6 billion in 2018, is expected to begin trading in mid-December.

Economic Calendar:

- Housing Starts - Wednesday, November 18th
- Existing Home Sales - Thursday, November 19th
- Jobless Claims - Thursday, November 19th

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Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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