

Market Comment:

Stimulus or not, the economic recovery remains on track

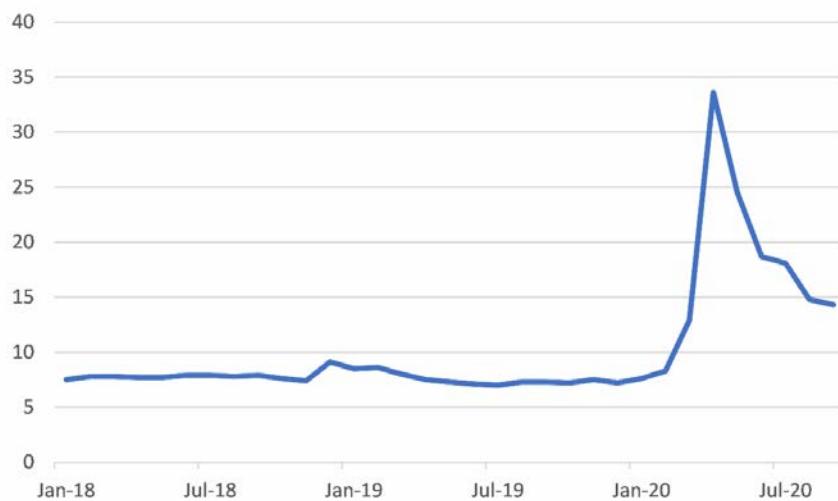
Although Congress will not certify the results of the presidential election until January 2021, it appears increasingly likely that former Vice President Joe Biden and Senator Kamala Harris will be sworn into office as our new President and Vice President, respectively. Pending the results of two runoff elections in Georgia, Republicans appear on track to retain a slim majority in the Senate and despite losing a handful of seats the Democrats will retain control of the House of Representatives.

Many pundits have suggested that a divided government reduces the likelihood of additional COVID-related fiscal stimulus, which would put the current economic recovery in peril. Additional fiscal support would certainly be beneficial to the businesses and individuals most impacted by COVID-19, but the broad-based economic recovery is self-sustaining - absent additional lockdowns - without it.

As the economy reopened in the third quarter, real GDP grew at a 33.1% annual rate. This bounce back in puts real GDP at 2.9% below where it was one year ago and roughly 5% below it would be without the pandemic. Despite the downturn, the economy is much healthier today than most forecasters expected it to be back in March.

The US economy also has positive momentum heading into the winter. For example, consumer spending increased 1.2% in September, home sales have accelerated, and - importantly -households are not spending down savings, in aggregate, to meet their ongoing expenses. Aggregate personal savings rate remains above 14% (Fig. 1), indicating there's plenty of pent up demand to further drive economic growth if and when a vaccine is widely available.

Fig. 1: Personal Savings Rate (%)



Source: Bloomberg, Mill Creek

Updated Benchmark Performance:

Benchmark Performance by Asset Class			
	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Large Cap Equities	7.53%	7.53%	11.65%
U.S. Small Cap Equities	6.89%	6.89%	-0.35%
International Developed Equities	8.11%	8.11%	-3.57%
Emerging Markets Equities	6.62%	6.62%	7.55%
Global Equities	7.60%	7.60%	6.42%
U.S. Bonds	0.49%	0.49%	6.83%
Intermediate Municipal Bonds	0.34%	0.34%	3.34%
High Yield Bonds	2.11%	2.11%	3.27%
Oil	3.98%	3.98%	-47.11%
Gold	3.82%	3.82%	24.99%
Key Rates	11/6/2020	12/31/2019	11/6/2019
U.S. 2 Year Treasury Note	0.16	1.58	1.61
U.S. 10 Year Treasury Note	0.83	1.92	1.81

Week in Review:

- Equities rallied for their best week since April as it became apparent that Democrat Joe Biden would win the presidential election, and Republicans would maintain control of the Senate. A split government would make it more difficult for Biden to implement tax hikes and higher regulations for businesses. Despite daily COVID-19 cases at record levels, the economy is showing signs of improvement – the unemployment rate ticked down to 6.9% in October as the economy added 638,000 jobs, and 86% of S&P 500 companies that have reported Q3 earnings have beaten estimates. Monday equity futures are soaring after Pfizer said their COVID-19 vaccine is more than 90% effective.
- Other winners following last week's election include Uber, Lyft, and DoorDash, as well as the US cannabis industry. California voters approved Proposition 22 which allows app-based companies such as Uber, Lyft, and DoorDash, which together contributed a reported \$250 million in support of Proposition 22, to treat their workers as independent contractors rather than employees. The rule will give drivers more flexibility but ultimately a smaller slice of revenue and less comprehensive benefits. Uber and Lyft's stocks both rallied following the passing of the law. DoorDash is expected to go public later this year. In a clean sweep for cannabis, ballot measures passed in all five states in which the question of legalization was asked (New Jersey, Arizona, South Dakota, Montana, and Mississippi). Industry stocks rallied on the news and it seems the

country has reached a tipping point where the federal government will have to consider changes to federal laws.

- The world's largest ever IPO has been scrapped – for now. The Shanghai Stock Exchange pulled Ant Financial's \$35 billion IPO, which was expected to begin trading last Thursday, citing changing financial regulations. However, it is widely believed that Billionaire and Alibaba founder (and Ant controlling shareholder) Jack Ma's comments last month criticizing China's financial regulator may have played a bigger role in the decision.

Economic Calendar:

- Jobless Claims - Thursday, November 12th
- Consumer Price Index - Thursday, November 12th
- Consumer Sentiment - Friday, November 13th

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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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