

November 23, 2020

Weekly Viewpoint

Vaccine vs. Virus

Performance for Week Ending 11.20.2020

The Dow Jones Industrial Average (Dow) finished off 0.73%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) added 0.08%, the Standard & Poor's 500 Index (S&P 500) dipped 0.77% and the Nasdaq Composite Index (NASDAQ) gained 0.22%. Sector breadth was negative with 7 of the 11 S&P sector groups closing lower. The Energy sector (+4.99%) was the best performer while Utilities (-3.92%) was the worst.

Index*	Closing Price 11/20/2020	Percentage Change for Week Ending 11/20/2020	Year-to-Date Percentage Change Through 11/20/2020
Dow	29263.48	-0.73%	+2.54%
Wilshire 5000	37023.14	+0.08%	+12.58%
S&P 500	3557.54	-0.77%	+10.11%
Nasdaq	11854.97	+0.22%	32.12%

Market Observations: 11/16/20–11/20/20

After hitting a new all-time high early on Monday, the S&P 500 finished the week modestly lower as optimism about the development of Covid vaccines was tempered by worries about economic growth as a resurgence in Covid cases is leading to new lockdowns. During the week, California Gov. Gavin Newsom issued a new order that will require most residents to stay at home and businesses to close between 10 p.m. and 5 a.m. Meanwhile, New York City said its schools would operate classes remotely, shutting down the largest public school in the country. Elsewhere, Colorado urged its resident's against travelling around the Thanksgiving holiday as hospitalizations in the state reached a new high. Minnesota's Governor ordered that gyms close, and restaurants/bars move to take-out only, while youth sports are cancelled for a month.

On the vaccine front, Pfizer formally applied on Friday for Emergency Use Authorization for its coronavirus vaccine from the Food & Drug Administration and said it could be available for high-risk patients as early as December. Pfizer and its partner BioNTech, said that the vaccine reached a 95% efficacy rate across all age

and race demographics and reiterated their aim of having 50 million doses before the end of the year and 1.3 billion doses available next year. Earlier in the week, Moderna reported its coronavirus vaccine was found to be 94.5% effective in an analysis. It also reported a longer shelf-life for the shot, saying it's stable for 30 days at refrigerator temperatures. The company said it plans to ask federal health authorities by early December to clear the vaccine.

Market View: Despite the tug of war between the pending rollout of a Covid vaccine and the recent surge in cases, we continue to maintain a favorable outlook for the markets. Equity markets tend to look forward and the key is to look beyond the next 3-4 weeks or even the next 3-4 months and to focus on how things will look like in the next 3 to 4 quarters. Through our lens, the economic recovery has solid momentum, earnings expectations are on the rise, and the Federal Reserve is expected to maintain its very accommodative monetary policy for the foreseeable future. In addition, it's highly likely that a Covid vaccine will be available in the months ahead and policymakers will eventually roll out another fiscal stimulus package. While nothing moves in a straight line, we continue to believe the return profile over the next 12 – 24 months should remain asymmetrical, with an upward bias.

The Week Ahead: The data calendar and the November FOMC meeting minutes will be the focal points of the holiday-shortened week. The minutes will take on added importance as Fed Chair Powell had indicated in his post-meeting press conference that officials had a lengthy discussion on their asset purchase program. In turn, the minutes should provide greater detail on how the Fed is thinking about potential changes to its quantitative easing (QE) program, and perhaps some clues as to how they would like to shape forward guidance. On the data calendar, reports of interest include; the second estimate of third-quarter GDP, initial jobless claims, October personal income and spending, new home sales for October, and the Conference Board's consumer confidence report. The Fed speaking calendar will also be in the spotlight with five Fed Heads scheduled to make presentations.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Wilshire 5000 Total Market IndexSM represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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