

December 7, 2020

Weekly Viewpoint

Vaccine + Stimulus = New Highs

Performance for Week Ending 12.04.2020

The Dow Jones Industrial Average (Dow) finished up 1.03%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) added 1.70%, the Standard & Poor's 500 Index (S&P 500) gained 1.67% and the Nasdaq Composite Index (NASDAQ) tacked on 2.12%. Sector breadth was positive with 9 of the 11 S&P sector groups closing higher. The Energy sector (+4.46%) was the best performer followed by Healthcare (+2.84%) and Technology (+2.78%).

Index*	Closing Price 12/4/2020	Percentage Change for Week Ending 12/4/2020	Year-to-Date Percentage Change Through 12/4/2020
Dow	30218.26	+1.03%	+5.89%
Wilshire 5000	38702.98	+1.70%	+17.69%
S&P 500	3699.12	+1.67%	+14.50%
Nasdaq	12464.23	+2.12%	+38.91%

Market Observations: 11/30/20–12/4/20

The major market indices finished higher for a second straight week reflecting promising news on Covid-vaccines and the growing likelihood lawmakers will deliver a new fiscal stimulus package. The combination was applauded by investors who pushed all four of the major indices to fresh all-time highs. The market shrugged off a Labor Department report that showed nonfarm payrolls rising by a disappointing 245K during the month of November, well short of the 460K expected by economists and the smallest addition since the labor market recovery began in May.

The rise in the market in the face of the lackluster payroll data, suggests that bad economic news is being viewed in a positive light as it increases the odds of a stimulus deal. A deal no longer seems a matter of 'if' but instead, a matter of when and how much. While the economy still has some upward momentum, additional stimulus is needed to bridge the gap between now and when the vaccine is rolled out to the masses. The probability of a deal in the coming weeks now seems high, as neither political party wants to risk being blamed for a double dip recession.

During the week there were several stories in the media saying lawmakers are starting to find middle ground. A group of bipartisan lawmakers unveiled a \$908 billion stimulus proposal in an effort to break a months-long impasse. House Speaker Nancy Pelosi and Senate Democratic leader Chuck Schumer said the bipartisan aid package should be the foundation for negotiations. While Senate Majority Leader Mitch McConnell has yet to show his cards, House Majority Leader Steny Hoyer, said he hopes to see a deal worked out in principle. Hoyer told the media that he had talked with McConnell about the time frame. "He and I both agreed that it would be optimal if in fact we get to agreement by the end of this weekend, have that agreement put on paper and memorialized so that we can consider it as early as (this coming) Wednesday or Thursday."

On the vaccine front, Pfizer and BioNTech's vaccine got the green light for use in Britain, the first Western country to approve a shot for COVID-19. Meanwhile, it was reported that the US will see the first shipments of this vaccine delivered by December 15 while Moderna's vaccine will arrive a week later. A federal vaccine advisory panel recommended that health-care workers and residents of long-term care facilities should be the first to receive the vaccine. Dr. Anthony Fauci said that US residents without co-existing conditions or elevated risks will get access to vaccines by April. He went on to say that, if Americans embrace vaccination to a high enough degree, herd immunity could be reached over the summer.

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 remains intact, earnings expectations continue to move higher, 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 weeks ahead and the odds that policymakers will roll out another fiscal stimulus package are on the rise. 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 focus in the coming week will remain on the stimulus talks, as well as the FDA meeting on Thursday when they are scheduled to discuss an Emergency Use Authorization for the Pfizer/BioNTech vaccine. Vice President Pence told governors last week that the vaccine's distribution could begin during the week of December 14. Highlights on the data calendar the November consumer price index (CPI) and jobless claims on Thursday and the University of Michigan's consumer sentiment index for December on Friday. Fed Speak will be very limited as FOMC members will be in a blackout period ahead of

the December 15 & 16 Federal Open Market Committee meeting.

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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