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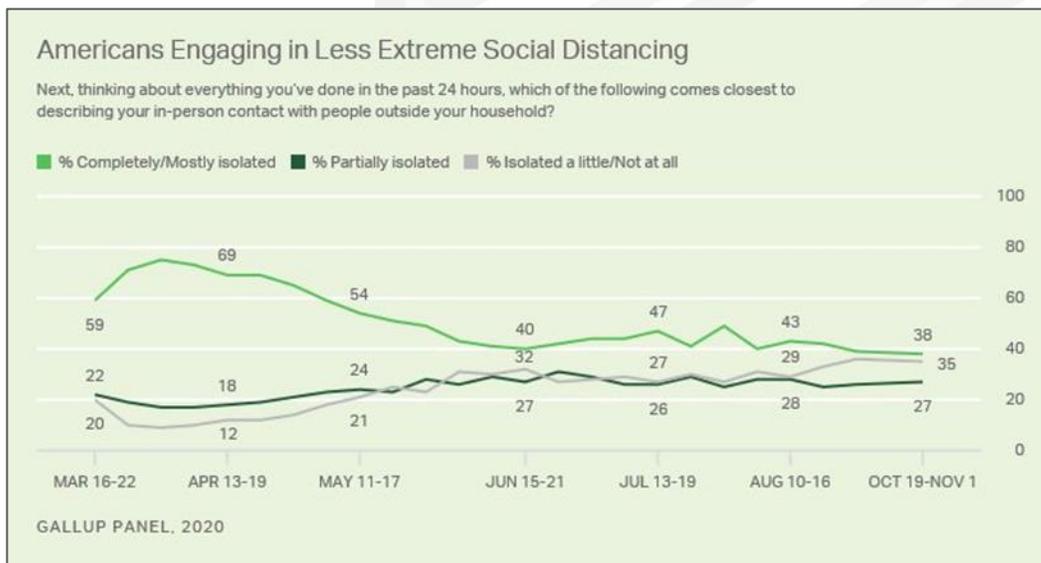
PWM Weekly Observations

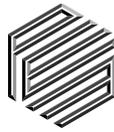
November 14, 2020

It Was the Best of Times, It Was the Worst of Times

We have to be honest, when we spoke about optimism last week, we didn't expect it to arrive on Monday, but it appears to have done just that in the form of the Pfizer vaccine announcement. That news was obviously very encouraging and earlier than we expected, but make no mistake, there is still a long road ahead. We remain optimistic, but after the market reaction to the Pfizer news this week, we need to weave some 'realistic' back into the mix.

By all appearances, we are looking at an uptick in COVID cases that are a function of social distancing fatigue as well as a seasonal uptick in cases, much like the flu each year. As shown in the chart below, social distancing and self-isolation came down by the end of May, but have held fairly steady since then. Yet we continue to see the number of cases rise and, in some cases, at an alarming rate.

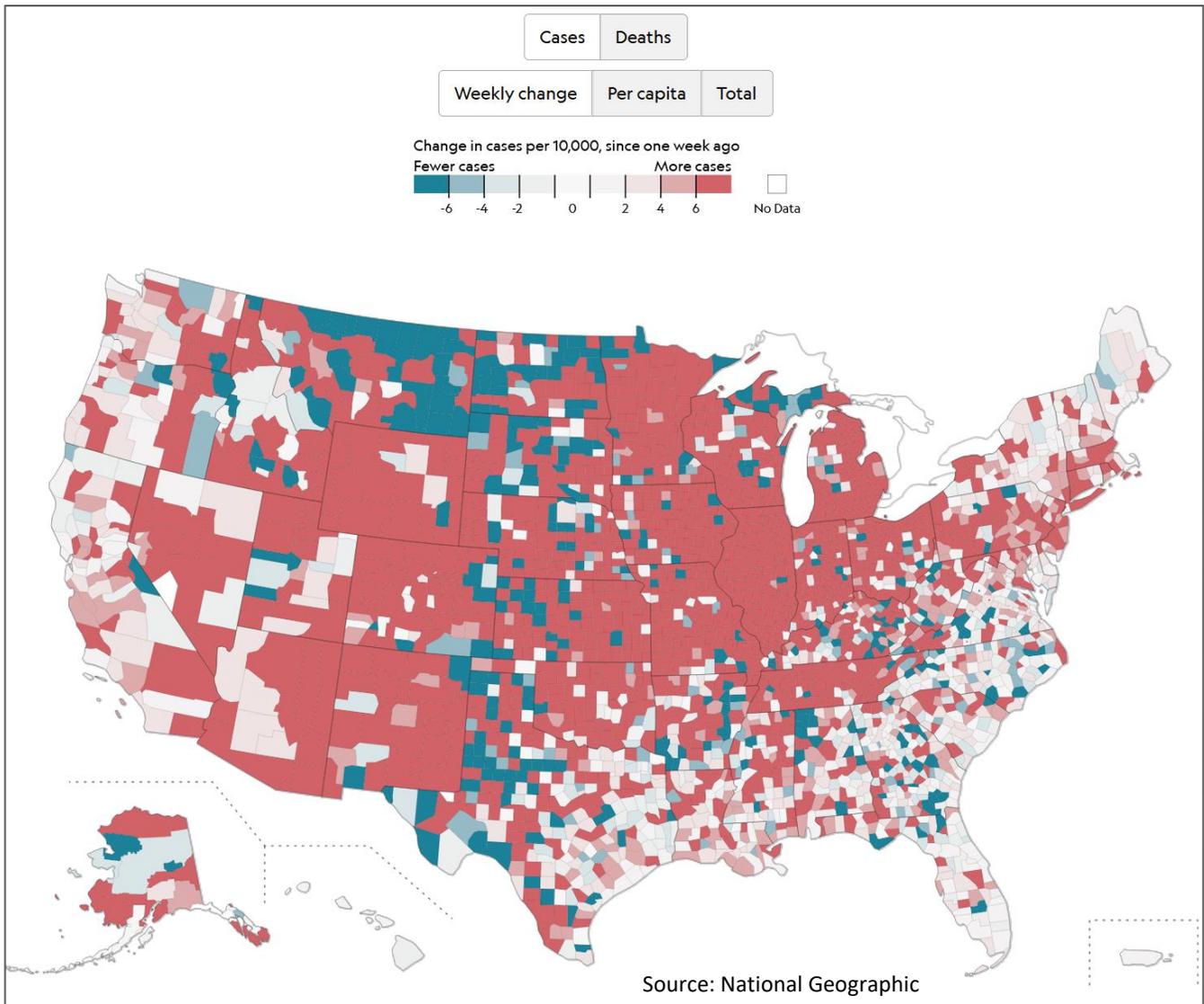




No doubt some of this is due to the re-opening of educational institutions with their large population of young individuals many of whom don't seem to care about the possible ramifications of their disdain for social distancing. However, it is difficult to explain the surge we are seeing with schools as the only, or even primary, cause. Something else appears to be at work and the most likely candidate is seasonality.

Many viruses, like the flu, simply spread more easily in cooler weather. This seasonality may also explain some of the success we had with COVID during the summer months. So, the vaccine is great news, but we cannot let our guard down. The vaccine trial is not complete, the vaccine is not yet approved, and when this and hopefully other vaccines are approved, we still have to get hundreds of millions of people vaccinated. This will take time. We are still hopeful that we can be well on our way to that end by the middle of next year – but we will still have to get through the next nine months to reach that point.

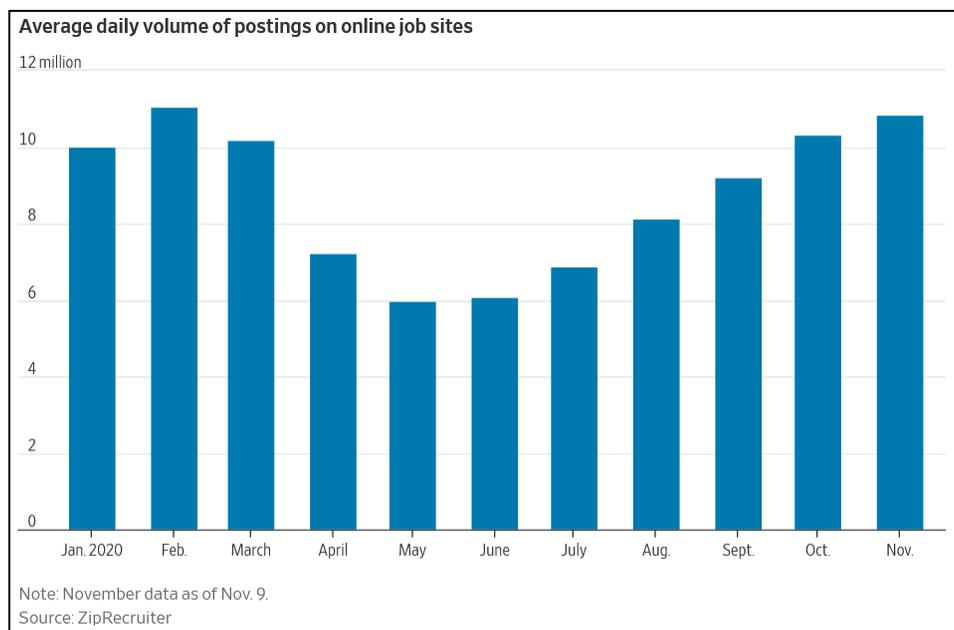
The map below shows how cases have been rising across a wide swath of the U.S.



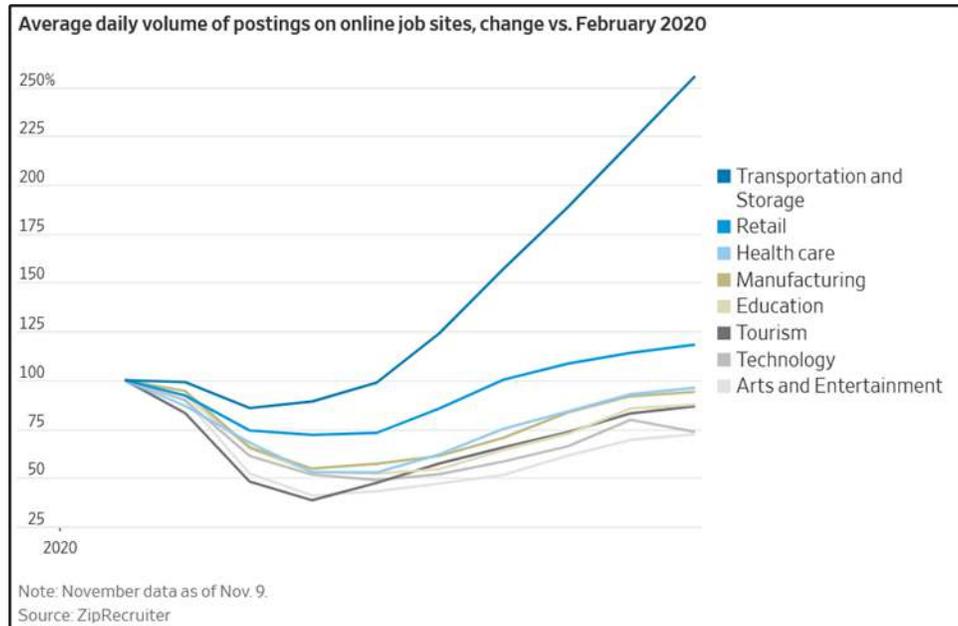
The bottom line is that we are optimistic, and we are very encouraged by the Pfizer vaccine news, but we, and the market, need to put the balloons away for the moment. We think the direction for the virus and for markets will remain positive, but not without hiccups along the way. Volatility will still be the order of the day.

Stimulus or No Stimulus, The Recovery Continues

A WSJ article caught our eye this week with some surprisingly good data. ZipRecruiter is reporting that the number of job openings in the U.S. is effectively back to pre-pandemic levels. This is especially surprising in light of the gradual loss of fiscal stimulus since the end of July. There have been on average some 10.8 million job openings posted on online job sites this month, which is up from 6 million back in May, and just short of the 11.06 million jobs posted in back in February.



This is particularly surprising (and encouraging) because there has been precious little recovery in some service sectors, like tourism and entertainment. (See chart next page.) Those losses have now been offset by gains in goods related jobs, especially transportation, storage and even retail. Massive unemployment still remains, but job openings back to these levels is nothing but encouraging.



A Split Congress Appears Likely, but Is Not Set in Stone

President Trump continues to dispute election results in several states. We view his efforts as highly unlikely to succeed, unless he can bring some earth-shattering new evidence to the table. That implies that the most important races are those in the Peach State.

There were two senate seats up for grabs in Georgia this year. In the first race to fill the term of Senator Johnny Isakson who resigned in late 2019 for health reasons, none of the multiple candidates from each party collected the necessary 50% of the vote to claim that Senate Seat. The highest vote getter in this race was a Democrat at almost 33% of the vote, followed two Republicans with 25.9% and 19.9% respectively. The top two will now face off in January.

In the other race, incumbent Republican David Perdue faced off with Democrat Jon Ossoff and while Perdue won the popular vote by almost 2%, with 49.71% of the vote, he also failed to reach the 50% necessary for an official victory, although at this writing, it appears that there will be a manual recount in Georgia to confirm that result.

As it stands today, the Republicans have 50 Senate seats, so control of the Senate lies in these two Georgia races to be decided in January. If Democrats win both, they would effectively control the Senate as the Vice President has the tie breaking vote in the Senate. If Republicans win at least one of these two seats, they would be in the drivers' seat.

What's at stake? A divided Congress will make it harder for the Biden Administration to pass legislation that is non-negotiable to the Republicans. In our view, this would make tax legislation and environmental legislation much more difficult to pass.



What We're Reading

[Consumer Sentiment Index is 77.0 versus 81.5 estimated \(Short Video\)](#)

[Greenlight Capital Third Quarter Letter](#)

[Biden's finance squad is a progressive fig leaf](#)

[Who Are Contenders for Biden's Cabinet? \(NYT Subscription Req'd\)](#)

[The World's Most Influential Values, In One Graphic](#)

[Investors Should Take Heed of the Inflation Chatter](#)

[JP Morgan: How Are Markets Reacting to the U.S. Election?](#)

[U.S. life insurers face questions about risk after Fed report](#)

[Pfizer CEO Discusses COVID-19 Vaccine Efficacy Results](#)

Markets This Week

The preliminary Pfizer vaccine results sparked another round of the reflation trade with cyclicals performing particularly well for the week and technology not so much. The much-maligned energy sector had a big week rising over 17% followed close behind by financials that rose over 8%. Small caps and value also joined the party. Bonds had difficult week with rates rising, which caused some strength in the dollar and coincident weakness in gold.

US Equities	1 week	YTD	Fixed Income	1 week	YTD	Sector Breakdown	1 week	YTD
S&P 500 (SPY)	2.27%	12.85%	20+ Yr. Treasuries (TLT)	-0.79%	18.10%	Consumer Disc. (XLY)	0.45%	23.49%
Dow (DIA)	4.21%	5.34%	Barclays US Aggregate (AGG)	-0.14%	6.50%	Info. Technology (XLK)	-0.31%	33.57%
NASDAQ (QQQ)	-1.25%	37.36%	Intermediate Municipal (MUB)	0.08%	3.61%	Financials (XLF)	8.29%	-10.38%
Russell 1000 Growth (IWF)	-1.18%	29.66%	US Corporate Bonds (LQD)	-0.32%	8.40%	Health Care (XLV)	2.00%	11.52%
Russell 1000 Value (IWD)	5.68%	-2.74%	Barclays US High Yield (HYG)	0.25%	0.98%	Utilities (XLU)	3.06%	5.05%
Vanguard Mid-Cap (VO)	2.47%	10.20%				Industrials (XLI)	5.43%	6.97%
Vanguard Small-Cap (VB)	4.62%	6.84%				Energy (XLE)	17.11%	-40.60%
						Materials (XLB)	1.49%	14.27%
International Equities	1 week	YTD	Commodities	1 week	YTD	Consumer Staples (XLP)	3.75%	9.32%
MSCI EAFE (EFA)	4.77%	1.31%	Commodities (PDBC)	1.61%	-16.18%	Comm. Services (XLC)	0.64%	20.37%
MSCI Emerging (EEM)	0.83%	8.34%	Gold (GLD)	-3.29%	23.97%	REITS (VNQ)	6.86%	-5.63%
						Homebuilders (XHB)	-1.16%	24.20%

The table above is an analysis of the weekly and year to date returns of various markets/sectors that we follow (More RED = worse performing markets/sectors; More GREEN = best performing markets/sectors). Source: IEX Trading & PWM Research.

Retirement Planning:

[Protecting Investors From Politicized Pension Portfolios](#)

The increasing political pressure on investment managers these days is the result of a concerted effort by political activists to pursue their agenda outside of the realm of electoral politics after the 2016 election. The problem is that these efforts could put investors at risk of ending up with a smaller retirement nest egg.



Estate Planning:

[Best Ways For Grandparents to Teach Grandkids About Money](#)

Teaching the basics of saving, investing and debt and instilling good financial habits can be a lifelong gift.

Tax Planning:

[Deutsche Bank calls for 5% tax on people working from home after the pandemic](#)

A 5% tax rate on those days on the average salary of a remote worker could raise \$48 billion a year in the U.S.

Health:

[Become Part of the Movember Movement](#)

Movember is a global men's health movement in November. The initiative involves the growing of moustaches during the month of November to raise awareness of men's health issues.

Entrepreneur:

[Your Business Needs a Succession Plan: Here Are the Basics](#)

Data from the U.S. Census Bureau shows that young, high-growth businesses were responsible for the majority of net job creation in the U.S. from 1980-2009.

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