

December 2020

# Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 12/31/2020

## Global Overview

Global equity markets experienced a spectacular comeback for the year after unprecedented declines during the first quarter of 2020 as the COVID-19 pandemic took hold around the globe. The S&P 500 Index returned 18.4% for the year after declining by 20% during the first quarter. The MSCI EAFE Index returned 7.8% for the year after declining 22% during the first quarter, with the MSCI EM Index returning 18.3% for the year after declining 24% during the first quarter. Small Cap and emerging market equities led the broad market rally in December. Although Chinese stocks and global technology stocks continued to lead the charge within equities as the market anticipates rising economic stimulus and the COVID-19 vaccines to incite stronger global growth, more cyclical companies in energy and financial sectors could be the biggest beneficiaries next year if global growth returns.

## U.S. Markets & Economy

The U.S. equity market continued its rally as several pharmaceutical companies obtained the final approval on their COVID-19 vaccines, and President Trump signed a \$900 billion coronavirus stimulus bill into law. The \$2.3 trillion stimulus package included a \$1.4 trillion government spending bill, which carries federal agency funding through September 2021, whereby avoiding a government shutdown.

The market tried to balance the optimism from the signing of a new stimulus bill and the potential of a vaccine-led reopening of the economy with the near-term impact of rising COVID infection rates and the identification of a new, more infectious strain of COVID-19. U.S. Manufacturing PMI improved for the seventh straight month, reporting 60.7 for December, up from 57.5 in November. U.S. Services PMI fell to 55.3 for December from November's record high of 58.4. The service sector reported a decline due to rising COVID-19 cases. While the broad market rally continued into December with the Dow Jones Industrial Average up 3.4% during the month, it did so at a slower pace than seen in November. Small Cap stocks were the strongest domestic equity performer with an 8.7% return during December. Reversing the trend from October and November, small cap growth stocks outpaced small cap value stocks with a return of 9.4% versus 7.9%, for the month of December.

The fixed income market was also affected by the positive news of the stimulus bill and vaccine developments, but it also faced concerns over the new, more infectious coronavirus strain discovered in the U.K. Investment grade and high yield credit spreads narrowed in December by nine basis points and 47 basis points, respectively. U.S. Treasury yields increased across longer-dated maturities, steepening the yield curve as fiscal spending is expected to increase, resulting in rising inflation. The 10-Year TIPS breakeven inflation rate is now approaching the Fed's target 2% inflation rate with a reading of 1.97%. The Bloomberg Barclays U.S. Aggregate Index returned 0.14% during the month as compared to a 1.91% return for the ICE BofA U.S. High Yield Index.

## International Markets & Economy

Non-U.S. equity had another positive month to close out 2020 as COVID-19 vaccine distribution started rolling out across Europe. At the end of December, the U.K. and the EU signed a historic trade deal, which is the first formal arrangement agreed upon since British voters backed a departure from the EU four and a half years ago. One immediate effect of the deal will be increased border checks for trade goods, which will be a new cost on businesses

# DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2020

December 2020

Page 2 of 6

trading with the EU from the U.K. and vice versa. Economists estimate that this will cost U.K. companies £7 billion (\$9.5 billion) a year. Returns, particularly in EAFE Small Cap, were strong this month with investors rallying around the hope of vaccinations curtailing the spread of COVID-19 in 2021.

Emerging markets led the way in the month of December with the MSCI Emerging Markets index posting the largest gain (7.35%) of the broad market indices. Strong economic data continued to be reported from China, which has had 10 straight months of manufacturing growth since factories were shut down at the start of the year. China Manufacturing PMI slowed to 51.9 for December, from 52.1 in November. China's industrial sector was the driver of performance, which was largely due to strong exports. China export orders reported 51.3 in December from 51.5 in November. Latin America, one of the hardest hit regions in EM from COVID-19, posted a return of 11.90% during the month as optimism surrounding the vaccine bolstered markets. Brazil's business confidence rose to 63.1 in December from 62.9 in November. EM ex-China posted a 10.6% return in the month of December supported by performance in Turkey (20.4%), South Korea (16.8%), and the Czech Republic (11.9%).

## In the News

The increased use of co-working office space may be driving up market volatility in the real estate office sector. Dedicated co-working office space has increased as a percentage of the total office market in larger cities, such as New York, San Francisco, and Los Angeles, due to the flexibility offered from their shorter-term leases. However, as the COVID-19 pandemic significantly increased the practice of working remotely, co-working spaces have seen an increase in vacancies. Office buildings had once been considered a relatively stable segment of the commercial-property market. As availability rates of co-working spaces increase, the trend could cause the office market to become more volatile and susceptible to economic shocks. It is estimated that as much as 50% of the co-working office space in larger cities is currently unoccupied, which could increase the availability rates in the overall office sector that currently stand at a record high of 21.8% in San Francisco.

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates per US \$		Inflation <sup>2</sup>
	Latest	2020 <sup>1</sup>	2021 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year*	(Dec. Current)	1 Year Ago	(Most recently available)
<b>United States</b>	33.40	-3.70	3.20	6.70	0.93	-	-	1.65
<b>China</b>	11.20	1.80	8.00	4.20	3.19	3.20	3.18	0.54
<b>Japan</b>	22.90	-5.30	2.30	2.90	0.03	103.19	108.95	-0.39
<b>United Kingdom</b>	81.10	-11.20	4.20	4.80	0.25	1.36	1.32	0.83
<b>Euro Area</b>	60.00	-7.50	3.60	8.40	-0.06	1.22	1.12	0.23
<b>Germany</b>	38.50	-5.50	2.80	4.50	-0.57	1.22	1.12	-0.19
<b>France</b>	98.30	-9.10	6.00	8.60	-0.35	1.22	1.12	0.05
<b>Italy</b>	80.40	-9.10	4.29	9.80	0.45	1.22	1.12	0.00
<b>Canada</b>	40.50	-5.40	3.50	8.50	0.77	1.28	1.30	0.60
<b>India</b>	125.00	9.90	7.90	6.50	5.92	73.01	71.36	5.90
<b>Mexico</b>	58.00	-9.20	3.60	4.60	5.23	19.89	18.86	4.09
<b>Brazil</b>	34.60	-6.00	2.60	14.30	6.93	5.19	4.02	3.92

Sources: (Most recently available data) Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, The Wall Street Journal, OECD, The World Bank, Bureau of Economic Analysis, Trading Economics, and *The Economist*

1. Euro Area data forecasted by The World Bank, all other forecasted data from OECD

\*Nov. 2020 number\*

2. In terms of CPI All Items

# DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2020

December 2020

Page 3 of 6

## Capital Markets Overview:

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	4.24	13.96	15.90	15.90	10.54	12.19	9.87
	BBgBarc US Agg Bond TR USD	0.14	0.67	7.51	7.51	5.34	4.44	3.84
	Russell 3000 TR USD	4.50	14.68	20.89	20.89	14.49	15.43	13.79
	DJ Industrial Average TR USD	3.41	10.73	9.72	9.72	9.90	14.65	12.97
	NASDAQ Composite PR USD	5.65	15.41	43.64	43.64	23.13	20.81	17.12
	MSCI EAFE NR USD	4.65	16.05	7.82	7.82	4.28	7.45	5.51
	FTSE Treasury Bill 3 Mon USD	0.01	0.02	0.58	0.58	1.56	1.16	0.60
	Bloomberg Commodity TR USD	4.97	10.19	(3.12)	(3.12)	(2.53)	1.03	(6.50)
Domestic Equities	S&P 500 TR USD	3.84	12.15	18.40	18.40	14.18	15.22	13.88
	S&P MidCap 400 TR	6.52	24.37	13.66	13.66	8.45	12.35	11.51
	S&P SmallCap 600 TR USD	8.32	31.31	11.29	11.29	7.74	12.37	11.92
	Russell 1000 TR USD	4.23	13.69	20.96	20.96	14.82	15.60	14.01
	Russell 1000 Growth TR USD	4.60	11.39	38.49	38.49	22.99	21.00	17.21
	Russell 1000 Value TR USD	3.83	16.25	2.80	2.80	6.07	9.74	10.50
	Russell Mid Cap TR USD	4.68	19.91	17.10	17.10	11.61	13.40	12.41
	Russell Mid Cap Growth TR USD	4.80	19.02	35.59	35.59	20.50	18.66	15.04
	Russell Mid Cap Value TR USD	4.63	20.43	4.96	4.96	5.37	9.73	10.49
	Russell 2000 TR USD	8.65	31.37	19.96	19.96	10.25	13.26	11.20
	Russell 2000 Growth TR USD	9.35	29.61	34.63	34.63	16.20	16.36	13.48
	Russell 2000 Value TR USD	7.92	33.36	4.63	4.63	3.72	9.65	8.66
	International Equities	MSCI ACWI Ex USA NR USD	5.41	17.01	10.65	10.65	4.88	8.93
MSCI EAFE NR USD		4.65	16.05	7.82	7.82	4.28	7.45	5.51
MSCI EAFE Growth NR USD		4.87	13.09	18.29	18.29	9.67	10.50	7.51
MSCI EAFE Value NR USD		4.43	19.20	(2.63)	(2.63)	(1.24)	4.20	3.37
MSCI Japan NR USD		4.13	15.26	14.48	14.48	6.06	8.65	6.50
MSCI AC Asia Ex Japan NR USD		6.80	18.60	25.02	25.02	8.15	13.58	6.50
MSCI Europe NR USD		4.71	15.61	5.38	5.38	3.55	6.78	5.32
MSCI United Kingdom NR USD		5.46	16.94	(10.47)	(10.47)	(2.38)	2.60	3.03
MSCI EAFE Small Cap NR USD		6.83	17.27	12.34	12.34	4.85	9.40	7.85
MSCI EM NR USD		7.35	19.70	18.31	18.31	6.17	12.81	3.63
Fixed Income	BBgBarc US Govt/Credit TR USD	0.09	0.82	8.93	8.93	5.97	4.98	4.19
	BBgBarc US Govt/Credit Interm TR USD	0.21	0.48	6.43	6.43	4.67	3.64	3.11
	BBgBarc US Govt/Credit Long TR USD	(0.20)	1.68	16.12	16.12	9.80	9.35	8.16
	ICE BofA US High Yield TR USD	1.91	6.48	6.17	6.17	5.89	8.43	6.62
	Credit Suisse HY USD	1.93	6.15	5.48	5.48	5.49	8.24	6.47
	S&P/LSTA Leveraged Loan TR	1.35	3.81	3.12	3.12	4.01	5.24	4.32
	FTSE WGBI NonUS USD	2.25	4.82	10.78	10.78	4.63	5.17	1.88
	BBgBarc Gbl Agg Ex USD TR	2.17	5.09	10.11	10.11	4.23	4.89	1.99
REITs	FTSE Nareit All REITs TR	2.76	9.18	(5.86)	(5.86)	4.96	6.66	9.10
	Wilshire US REIT TR USD	2.78	10.62	(7.90)	(7.90)	3.30	4.25	8.27

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

This report has been distributed for informational purposes only. Data has been obtained from sources believed to be reliable, but not guaranteed. Reproduction of this report requires express written permission of DeMarche Associates, Inc. Copyright 2020 DeMarche Associates, Inc.

For Institutional Use Only

# DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2020

December 2020

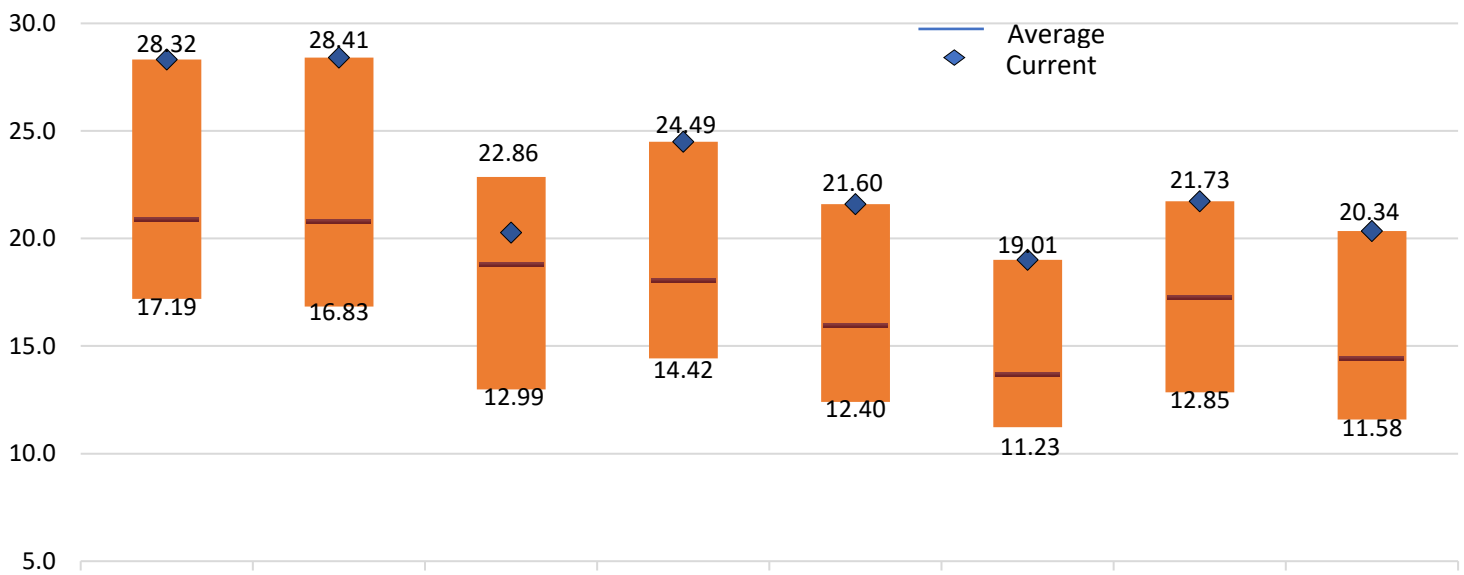
Page 4 of 6

## S&P 500 Price Level



Source: Standard & Poors

## Current P/E vs. Trailing 5-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Nov-20	Nov-20	Nov-17	Nov-20	Nov-20	Nov-20	Nov-20	Nov-20
Low Month	Dec-18	Dec-18	Mar-20	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18

Source: Standard & Poors, FTSE/Russell, MSCI

# DeMarche Dashboard

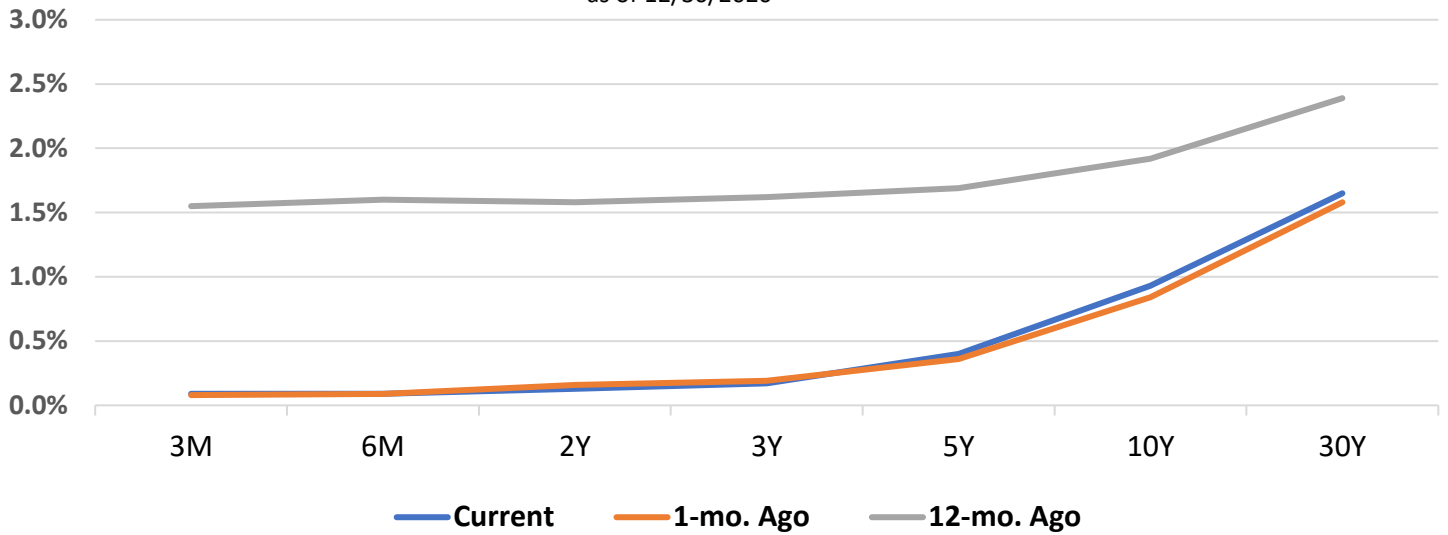
Data and Commentary for Periods Ended 12/31/2020

December 2020

Page 5 of 6

## U.S. Treasury Yield Curves

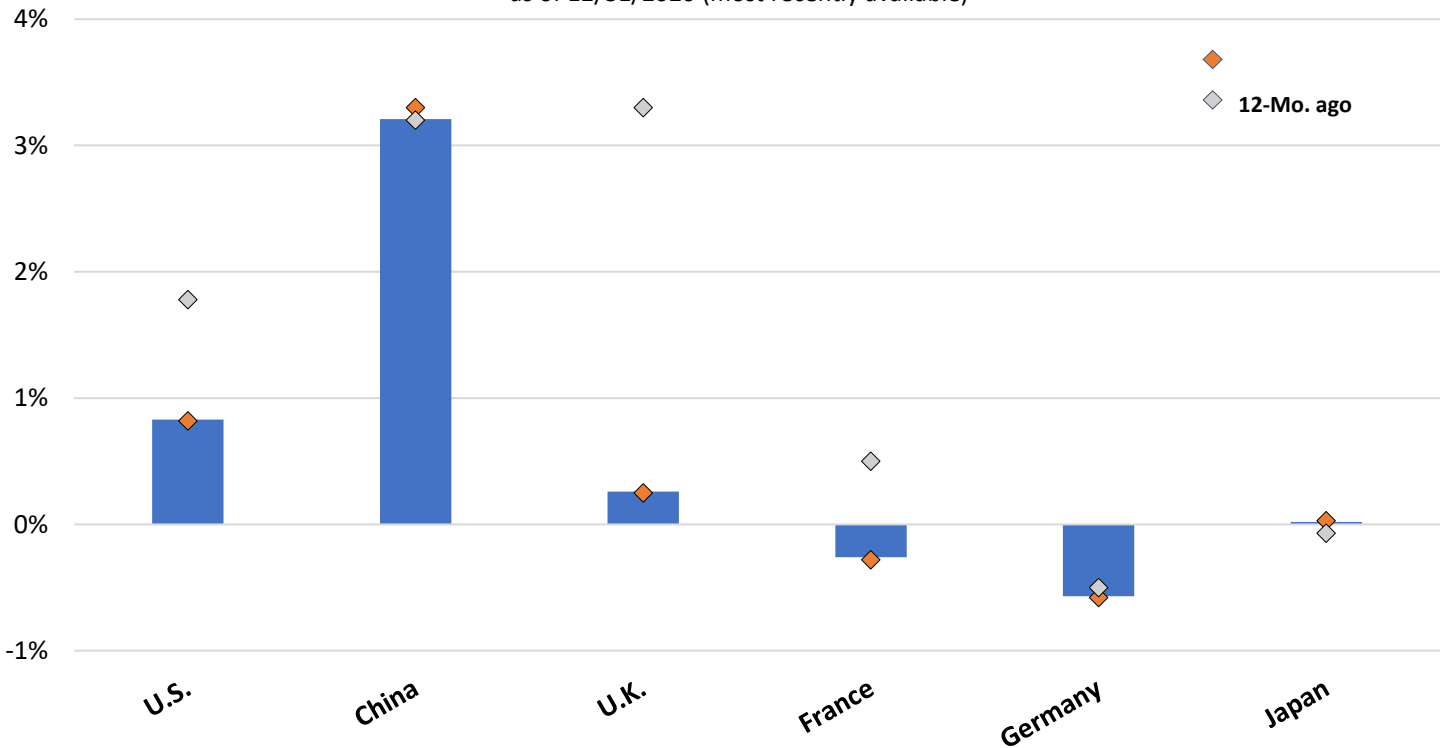
as of 12/30/2020



Source: Federal Reserve Bank of St. Louis, U.S. Department of the Treasury

## 10-Year Sovereign Yields

as of 12/31/2020 (most recently available)



Source: Federal Reserve Bank of St. Louis, Wall Street Journal, Trading Economics

# DeMarche Dashboard

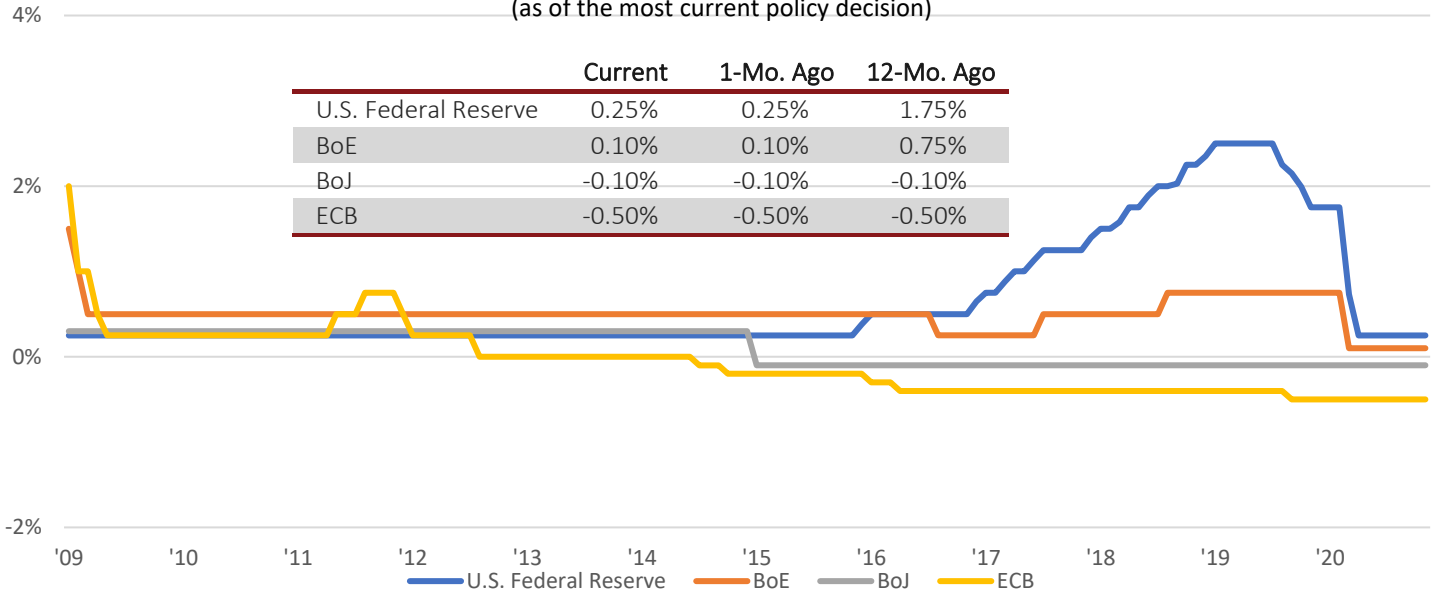
Data and Commentary for Periods Ended 12/31/2020

December 2020

Page 6 of 6

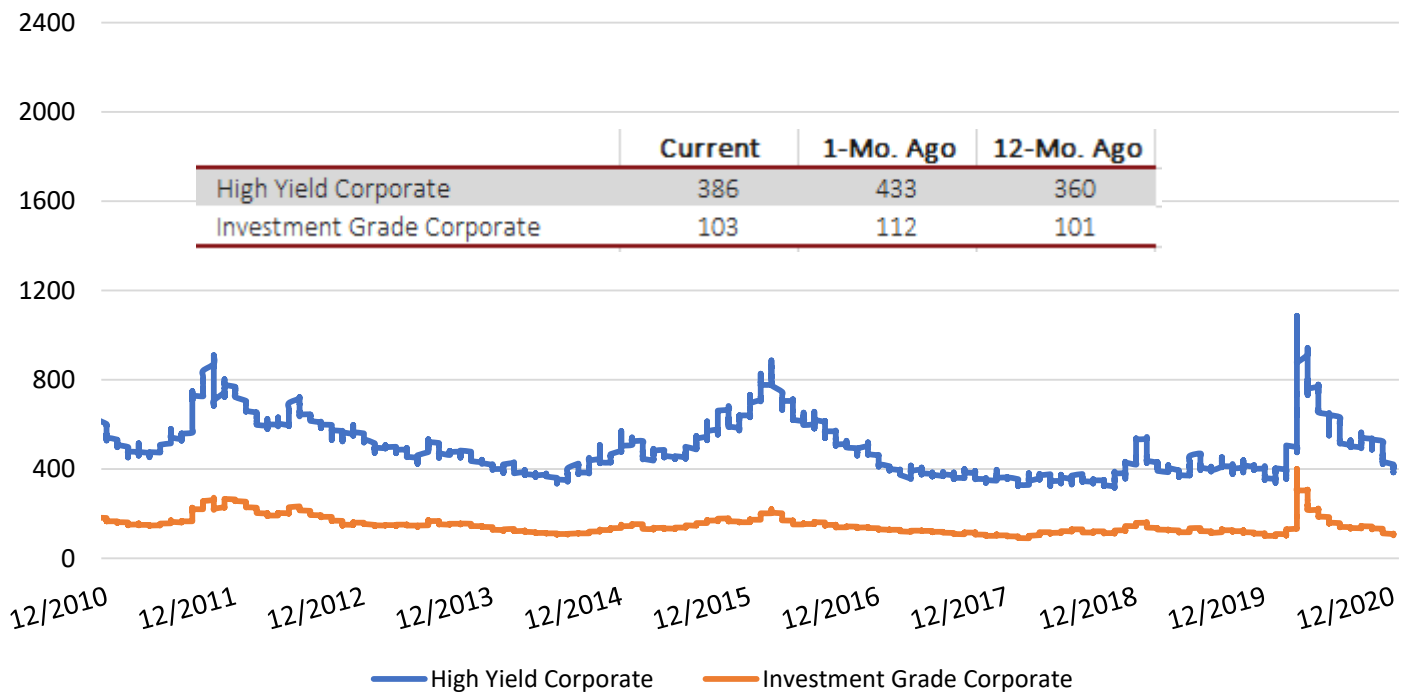
## Central Bank Policy Rates

(as of the most current policy decision)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trade Economics

## Corporate Bond Average Spread (bps)



Source: Bank of America