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MARKET OUTLOOK STILL VERY UNCERTAIN

So much news has hit the markets in the past 10 days or so that it makes it nearly impossible to digest all at once. But let's try to break some of it down anyway.

Earlier this week, pharmaceutical giant Pfizer announced encouraging results of a promising COVID vaccine—showing it may be 90% effective in combating the virus. Markets rallied on the news, with stocks up and bonds down.

The initial euphoria, however, seems to be wearing off, as COVID cases have been increasing dramatically overall and even spiraling out of control in many cities. Markets are worried that this will prompt new lockdowns and thus further hamper an economic recovery. Even when a vaccine does become available (perhaps sometime next year), the virus is not likely to just disappear. Many believe we will gradually transition from a pandemic (globally uncontrolled disease) to an endemic (more of a controlled disease that is confined to a particular region) for many years to come. Consumers and businesses will have to adapt to the new changing landscape. How this will affect the economy and consumer sentiment is anyone's guess.

Here is where we stand today:

Long-term bond yields down 9 basis points and stocks plummeting.

FED FUND FUTURES: still showing **LOWER** rates into 2022 and not likely to change for years as per Chairman Powell.

ELECTION: another uncertainty that markets will be concerned with—even though there is a president-elect. Will the transition be smooth?

COVID: More lockdowns/curfews have been recently implemented and may increase further as the U.S. has seen daily COVID cases easily breaking 100k (even 165k this past week)!

INFLATION: CPI numbers came out today and showed **ZERO** CPI inflation month over month, and only 1.2% higher year over year.

Remember, the Fed's desired inflation target is 2.00% or slightly higher. With inflation so low, the Fed is still worried about the possibility of deflation. Nevertheless, even without a deflationary scenario, the Fed has been unsuccessful for many

years in trying to increase inflation to its desired 2.00% target. Keeping this in mind and the Fed's dual mandate of price stability and maximum employment, the Fed will do everything in its power to aid and revive the economy. As a result, it is unlikely that the Fed will raise rates for many years to come. The uncertainty is just too great to make any policy changes.

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