GLENMEDE

Investment Strategy Insights

November 30th, 2020

2020's Final Act

- ‘Tis the Season to Be Spending
  - The U.S. consumer appears strong heading into the holiday season, perhaps carrying that momentum into the new year
- Monitoring Key Economic Data
  - The economy appears to be weathering the effects of another COVID outbreak reasonably well so far
- Fed-Treasury Synergy?
  - Ultra-accommodative monetary policy should prime the economy for growth in a post-pandemic world

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'Tis the Season to Be Spending

- **Consumers: the Powerhouse of the Economy.** Consumer spending represents more than two-thirds of all economic activity here in the U.S., so the health of households directly correlates to the direction of the overall economy. With Thanksgiving in the rearview mirror, the holiday season has fully begun, and with it the premiere shopping season of the year. As a result, it will be crucial to follow consumer trends for signs of economic momentum heading into the new year.

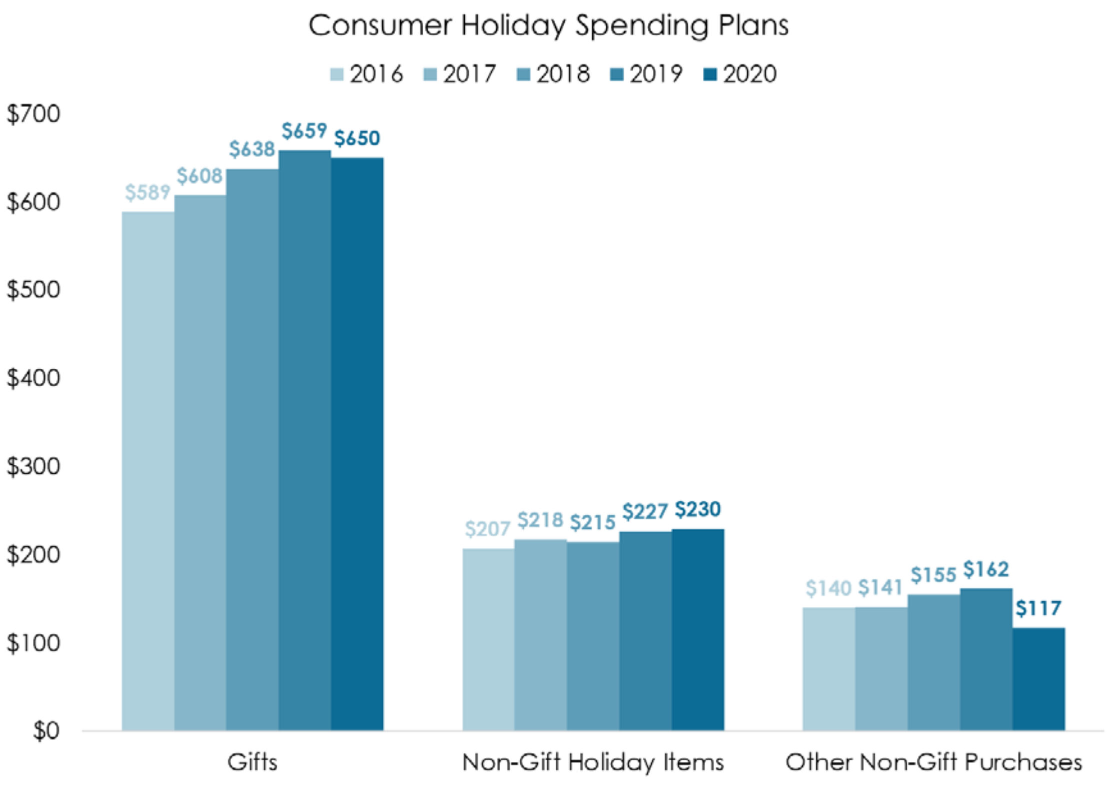
- **Pandemic Holiday Spending Plans.** A survey conducted by the National Retail Federation and Prosper Insights & Analytics found that household spending plans for gifts and other holiday items are roughly on par with years past. However, the composition of that spending may look a lot different this year. Consumer expenditures on experiences like live event tickets and travel still remain 27% below last years levels, while spending on physical things has mostly seen a full recovery.

- **Jobs & Savings Make Up for Fiscal Inaction.** The effects of massive fiscal policy appear to be waning, with many provisions of the CARES Act expiring/running out of funds. While Congress does not seem to be in much of a rush to find common ground on the next fiscal package, there are other trends supporting consumer spending through year-end. For one, a steadily declining unemployment rate suggests many are finding their way back into the labor force with a reliable income stream. In addition, the personal savings rate continues to remain elevated, which could provide a source of funds for holiday spending.

The U.S. consumer appears strong heading into the holiday season, perhaps carrying that momentum into the new year

Chart of the Week:

Despite the Recession, Holiday Spending Plans Similar to Years Past



Source: Glenmede, National Retail Federation, Prosper Insights & Analytics
Data shown are the historical results of annual holiday spending surveys of U.S. consumers conducted by the National Retail Federation and Prosper Insights & Analytics, with expected margin of error +/- 1%. Actual results may differ materially from survey expectations.

Monitoring Key Economic Data

- **PMIs Support Sturdy Growth.** Markit's November Flash purchasing mangers' indexes (PMIs) improved month-over-month. The manufacturing PMI hit a 74 month high of 56.7, supported by strong production and new orders. The services PMI reached a very healthy 57.7, with new domestic orders remaining a net positive. While these results are still only preliminary, they are a positive sign that demand is weathering the effects of another surge in cases and some of the associated lockdown measures so far.

- **Employment Data Stunted.** 778k claims for unemployment insurance were made last week, ticking modestly higher than expectations. Jobless claims have generally been trending lower since peaking at a weekly rate of 6.9 million in late March, but remain well above the pre-pandemic average of ~220k per week. While increased unemployment may be a consequence of surging cases and recent lockdown measures, it does not appear that layoffs are occurring at nearly the same rate as earlier this year.

- **Bifurcated Consumer Sentiment.** The final results of the University of Michigan's November Surveys of Consumers showed a wide disparity of economic opinion. Consumers' assessment of the current economic environment increased a modest 1.3% month-over-month. On the other hand, the judgment of economic expectations moving forward fell to -11.0%, as rising case counts and renewed lockdown measures appeared to dampen the outlook.

The economy appears to be weathering the effects of another COVID outbreak reasonably well so far

Fed-Treasury Synergy?

- **Janet Yellen on Deck for Treasury Secretary.** President-Elect Biden indicated that he plans to nominate former Federal Reserve Chairwoman Janet Yellen as his Secretary of the Treasury. Investors have generally been bullish on the choice, noting that this may facilitate closer coordination between monetary and fiscal policy during a time when stimulus has been key to the ongoing success of the economy amid unprecedented economic challenges.

- **Fate of the Fed's Emergency Credit Facilities.** Many expect that Yellen would seek to revive the Fed's Emergency Credit Facilities, programs that current Secretary Mnuchin has so far declined to extend despite objections from Fed officials. These resources include various credit programs that have backstopped lending during a time of significant economic and market disruption.

- **FOMC Meeting Includes a Good Dialogue, but no Action.** Released last week, the minutes from the November Federal Open Market Committee meeting showed that discussions were primarily focused on the Fed's asset-purchases program. Most members did not feel that immediate action was warranted, but acknowledged that expanded quantitative easing could have multiple benefits, including guarding against rising rates and looming risks. Participants appeared to consider multiple enhancements, such as increasing the rate of asset purchases, as well as extending the maturity profile of the bonds they buy.

Ultra-accommodative monetary policy should prime the economy for growth in a post-pandemic world

Investment Strategy Insights

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