



How is Covid going to shape the investment landscape for 2021? Rising infection rates and containment measures to curb the spread of the virus are poised to suppress economic activity in the coming months. However, news on vaccines remains positive, opening up the prospect of immunization for the at-risk population beginning as early as December. The vaccine news sparked a sharp rotation into value and small-cap stocks that faded later in the week when the near-term virus concerns took center stage.

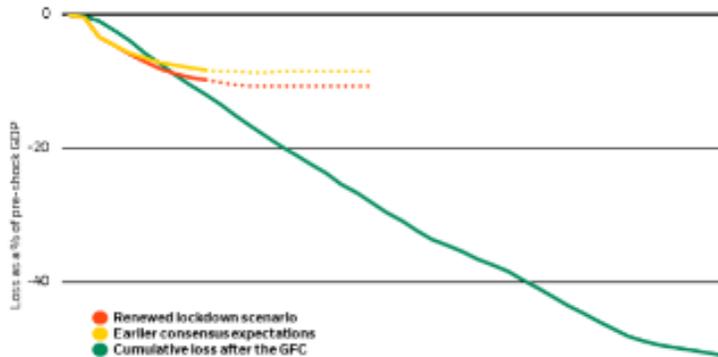
The chart below graphs the loss as a % of pre-shock GDP between early consensus Covid expectations, the renewed lockdown scenario, and the cumulative loss after the global financial crisis. In summary, the view is that Covid is more of a shock akin to a natural disaster than a long term structural disrupter. Of course, a lot remains to be seen, yet the vaccine has induced a very positive sentiment into the markets.

GAUGE OF THE GRADE



Our tactical model remains in positive territory.

U.S. GDP shortfall from the GFC vs. estimated loss from the Covid shock



Source: BlackRock

SECTOR RETURNS

	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
Basic Materials	0.81	5.96	10.45	10.95	15.29
Communication Services	0.64	8.24	8.57	18.89	21.05
Consumer Cyclical	2.55	3.33	8.31	35.31	41.91
Consumer Defensive	(0.81)	1.86	4.61	8.65	11.10
Energy	5.18	17.94	(0.83)	(40.24)	(36.49)
Financial Services	0.09	7.42	8.98	(6.78)	(3.33)
Healthcare	(2.62)	2.46	3.56	9.99	15.59
Industrials	1.23	7.61	14.25	5.99	6.60
Real Estate	(1.11)	4.98	4.45	(8.82)	(8.99)
Technology	0.17	1.58	5.52	34.45	41.82
Utilities	(3.56)	(0.02)	7.26	(3.38)	(0.85)

MONDAY NOVEMBER 23, 2020
Manufacturing PMI Index
Agilent Technologies and Urban Outfitters earnings
TUESDAY NOVEMBER 24, 2020
Consumer Confidence Index
Autodesk, Dell, Dollar Tree, Dicks Sporting, HP, Nordstrom and VM Ware earnings
WEDNESDAY NOVEMBER 25, 2020
Initial jobless claims (weekly)
Continuing jobless claims (weekly)
Deere earnings
THURSDAY NOVEMBER 26, 2020
Thanksgiving Day Holiday: equity and bond markets closed for trading
FRIDAY NOVEMBER 27, 2020
Equity and bond markets closes early.

The S&P 500 rose 1.3% last week as 5.1% surge in energy led the markets while utilities slumped 3.56%. **A noteworthy addition to S&P 500 was Tesla, and its stock immediately jumped 13% on the news.** Tesla's weighting accounts for 1.7% of an already top-heavy index where the S&P 500's top ten holdings make up a whopping 34% of the index.



SOWELL'S WEEK AHEAD

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