

# Monthly Market Commentary

## December 2020 Recap

Stocks pushed higher in December to cap a tumultuous, but very positive year for U.S. equities. The S&P 500 posted a 3.7% monthly advance, while the Dow Jones Industrial Average climbed 3.3%. The Nasdaq Composite jumped 5.7%, capping the best year for the tech-heavy benchmark since 2009 (+43.6%). The small-cap Russell 2000 index outperformed with an 8.2% monthly rally. Vaccine optimism and passage of a long-awaited stimulus bill buoyed sentiment during the month. However, data updates provided a reminder that economic activity could be stalling as worsening coronavirus infection and hospitalization trends drove government officials to impose new restrictions.

Equity markets ebbed and flowed to updates from Capitol Hill, as investors held onto hope that lawmakers would pass a fifth coronavirus relief measure. A breakthrough came early in the month, when a bipartisan group of lawmakers unveiled a \$908 billion relief bill that was seen as a compromise between the Democrats favored \$2 trillion package and the GOP's preference of \$500 billion. The proposal laid the foundations for back and forth negotiations that resulted in the passage of a long elusive fiscal stimulus measure just before Christmas. The final package worth around \$900 billion extended additional federal unemployment benefits and provided a \$600 stimulus check to most American, but excluded the most contentious issues of state and local government funding as well as liability protection for businesses. Meanwhile, another long-awaited agreement materialized across the pond. The European Union and the United Kingdom finalized a post-Brexit trade deal just days before the British were set to leave the European bloc.

Investors also monitored increasing COVID-19 concerns, as the number of daily cases and hospitalizations persisted at record levels throughout the month. Warnings of a highly contagious strain of the virus dampened sentiment, but trepidations were kept in check as U.S. regulators aimed to distribute a vaccine before year end. Following a review by the Food and Drug Administration (FDA) mid-month, **Pfizer** (PFE \$36.81) and **BioNTech's** (BNTX \$81.52) joint candidate become the first inoculation to win U.S. approval. FDA officials also authorized **Moderna's** (MRNA \$104.47) vaccine shortly thereafter, and distribution of doses to frontline healthcare workers quickly followed. The rollout helped investors overlook the worsening virus trends and continued to boost confidence about an economic recovery in 2021.

Still, data throughout the month showed that rising COVID cases and hospitalizations could be weighing on economic activity in the near term. The monthly jobs report disappointed, with the U.S. economy adding 245,000 non-farm payrolls in November, the lowest monthly increase since April and well below consensus estimates of 460,000. A separate release showed that U.S. retail sales dipped 1.1% in November, and the data for October was revised to show a small decline, marking the first monthly drop in consumer spending since April. Additionally, the Conference Board's gauge of U.S. consumer confidence dropped to the lowest reading since August, while a release from the National Federation of Independent Businesses (NFIB) revealed that small business optimism declined the most in seven months. Not all updates were bad, however, with gauges of U.S. business activity remaining firmly in expansionary territory, albeit at a slightly slower pace. The Institute for Supply Management's (ISM) index of manufacturing activity dropped to 57.5 from a stellar 59.3 reading in October (which had been fastest expansion since November 2018). Meanwhile, the ISM's non-manufacturing activity index slowed to 55.9 from the prior 56.6 reading.

The gains were broad in December, with all 11 S&P 500 sectors ending in positive territory. Financials led the advance as investors cheered when several of America's largest lenders announced stock buyback programs after the Fed indicated it

would allow banks to repurchase shares again in 2021. An uptick in Treasury yields also helped the sector, with the benchmark 10-year note rate climbing six basis points to 0.91% for the month, but ending exactly 100 basis points below where it started the year at 1.91%. Technology stocks also outperformed, with **Apple** (AAPL \$132.69) rising more than 11% in December amid strong holiday iPhone demand and reports that the world's largest company could make a foray into the electric vehicle space. Meanwhile, **Tesla** (TSLA \$705.67) capped its meteoric annual rally (+743%) amid the company's addition to the S&P 500 index on Dec. 21. In M&A news, **IHS Markit** (INFO \$89.83) and **S&P Global** (SPGI \$328.73) combined in an all-stock deal valued at \$44 billion, which represents the largest merger of the year.

## Disclaimers

Pricing as of market close on December 31, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

Additional information available upon request. Past performance is not a guide to future performance. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee as to its accuracy or completeness. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

## Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

## Price and Total Returns

### U.S. Markets

Index	Close Price Return (%)	December Price Return (%)	December Total Return (%)	4th Qtr Total Return (%)	YTD* Total Return (%)*
S&P 500	3756.07	3.71	3.84	12.14	18.39
Dow Jones Industrial Average	30606.48	3.27	3.41	10.73	9.72
Nasdaq Composite	12888.28	5.65	5.75	15.67	45.06
S&P 400 Mid Cap	2306.62	6.37	6.51	24.36	13.65
S&P 600 Small Cap	1118.93	8.16	8.31	31.27	11.24

### U.S. Sector Performance

Index	Close Price Return (%)	December Price Return (%)	December Total Return (%)	4th Qtr Total Return (%)	YTD* Total Return (%)*
Communications Services	221.92	3.07	3.08	13.82	23.61
Consumer Discretionary	1302.56	2.45	2.53	8.04	33.30
Consumer Staples	696.32	1.45	1.78	6.35	10.75
Energy	286.14	4.27	4.40	27.76	-33.68
Financials	490.43	6.05	6.25	23.19	-1.76
Health Care	1324.01	3.74	3.91	8.03	13.45
Industrials	749.54	1.12	1.19	15.67	11.05
Information Technology	2291.28	5.68	5.74	11.81	43.89
Materials	455.71	2.31	2.54	14.47	20.73
Real Estate	227.90	0.92	1.50	4.94	-2.17
Utilities	319.07	0.42	0.70	6.58	0.52

### International Markets

Index	Close Price Return (%)	December Price Return (%)	December Total Return (%)	4th Qtr Total Return (%)	YTD* Total Return (%)*
U.K. FTSE 100	6460.52	3.10	3.28	10.86	-11.45
Germany DAX	13718.78	3.22	3.22	7.51	3.55
France CAC 40	5551.41	0.60	0.76	15.76	-4.96
Spain IBEX 35	8073.70	-0.04	0.46	21.20	-12.71
Italy FTSE MIB	22232.90	0.78	0.79	17.03	-3.34
Greece ATHEX	808.99	9.78	9.97	29.72	-9.33
MSCI Emerging Market	1291.26	7.15	7.25	19.61	18.50
Shanghai Composite	3473.07	2.40	2.41	7.97	16.55
Japan Nikkei 225	27444.17	3.82	3.93	18.49	18.24
Hong Kong Hang Seng	27231.13	3.38	3.39	16.25	-0.23
Brazil Bovespa	119017.20	9.30	9.30	25.81	2.92
Russia Micex	3289.02	5.84	6.35	15.70	14.82
India Sensex	47751.33	8.16	8.18	25.70	17.16

## Treasuries

Maturity	December Ask Yield	November Historical Yields	October Historical Yields	September Historical Yields	August Historical Yields
2-Year	0.12	0.15	0.15	0.13	0.13
5-Year	0.36	0.36	0.38	0.28	0.27
10-Year	0.91	0.84	0.87	0.68	0.70
30-Year	1.64	1.57	1.66	1.46	1.47

## Municipal Bonds

Maturity	Close	December Price Return (%)	November Price Return (%)	October Price Return (%)	YTD* Price Return (%)
S&P Municipal Bond Index	275.08	0.59	1.27	-0.14	4.95
S&P Muni Bond Long Intermediate	287.91	0.59	1.26	-0.19	5.40
S&P Muni Bond Intermediate	272.90	0.52	1.08	-0.17	5.04
S&P Muni Bond Short	179.99	0.13	0.19	-0.09	2.32
S&P Muni Bond Investment Grade	271.31	0.50	1.21	-0.17	4.87
S&P Muni Bond High Yield	336.95	1.79	2.15	0.24	6.00
S&P Muni Bond General Obligation	265.07	0.42	1.10	-0.20	5.26

## Commodities

Front Month Futures	Close	December Price Return (%)	November Price Return (%)	October Price Return (%)	YTD* Price Return (%)
CRB Index	167.80	4.84	10.59	-2.54	-9.68
Oil/bbl	48.52	7.01	26.68	-11.01	-20.54
Natural Gas	2.54	-11.90	-14.07	32.73	15.99
Gold	1895.10	6.72	-5.54	-0.40	24.42
Silver	26.41	17.21	-4.70	0.65	47.38
Copper	351.90	2.88	12.24	0.49	25.81
Nickel	16566.50	3.59	5.72	4.42	18.60

## Foreign Exchange

Currency	Close	December Price Return (%)	November Price Return (%)	October Price Return (%)	YTD* Price Return (%)
Dollar Index	89.94	-2.10	-2.31	0.16	-6.69
Euro/USD	1.22	2.42	2.40	-0.63	8.95
USD/Yen	103.25	-1.02	-0.33	-0.78	-4.94
GBPound/USD	1.37	2.60	2.90	0.21	3.12
USD/CAD	1.27	-2.12	-2.40	0.02	-2.04
USD/Krona	8.23	-4.04	-3.64	-0.66	-12.15
USD/Swiss Franc	0.89	-2.61	-0.88	-0.42	-8.42

Source: Bloomberg

Disclosure - \*All prices as of the close December 31, 2020

The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Any market prices are only indications of market values and are subject to change. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Additional information is available upon request. Please contact your Financial Advisor.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

©2021 Wells Fargo Clearing Services, LLC. All rights reserved. CAR# 0121-00313