

NOW THE CALENDAR'S JUST ONE PAGE...AND, OF COURSE, I AM EXCITED

Kevin Flanagan — Head of Fixed Income Strategy

12/09/2020

Can you believe it? Last week's jobs report is the last one to be released in 2020. With the second wave of COVID-19 picking up momentum of late, the tenor of future U.S. economic data could very well begin to show some of the adverse effects. Although the actual data were not outright "bad," I would put the November employment report into the category that some negative signs are beginning to emerge.

At this point, our base case is not a return to the Q2 record-breaking decline in economic activity. However, the momentum that was building coming into Q4 could very well come to an end, with the final month of 2020 and opening month or so of 2021 revealing renewed softness before growth re-emerges in Q2 and beyond. Of course, another round of fiscal stimulus could render any potential softening a limited occurrence, both in time and magnitude.

Econ News

- November economic data has been more mixed of late... Manufacturing and service surveys were down slightly but have remained well into expansionary territory, while jobless claims fell after two consecutive weekly increases
- For the jobs report, total nonfarm payrolls rose +245,000. Private payrolls were almost 100,000 better than that, but both were well below consensus estimates, and the trendline is definitely on the downside
- The unemployment rate dropped 0.2 pp to 6.7%, but that was due to a decline in the labor force. Civilian employment, the other gauge, fell 74,000 following a huge gain of 2.2 million last month

Bond-Land Headlines to Watch

- Perhaps the most noteworthy news in bond land is the [UST 10-year's](#) renewed assault on the 1% threshold. As I write this, the yield is knocking on the door and hit 0.98%, right at the next one-year Fibonacci technical analysis level... If it breaks through, 1.13% is next up on this train
- Another piece of noteworthy bond-land news, investment-grade spreads have now completely retraced March's spread widening, coming in at 99 bps; high yield is right behind, retracing 95% of its surge in spread, and resides under the 400 bps threshold

Conclusion

We continue to favor positioning fixed income portfolios to be shorter duration versus the benchmark. Should inflation concerns emerge, investors may also wish to consider a complementary rate-hedged strategy to their portfolio. In addition, screening for quality will remain an important consideration for U.S. corporate bond investing as downgrades and defaults could continue to rise (lagging indicators) in the months ahead.

Unless otherwise stated, all data sourced is Bloomberg as of December 4, 2020.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

10- Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.