CAN WE JUST GET BACK TO .... FUNDAMENTALS?

Kevin Flanagan — Head of Fixed Income Strategy
11/11/2020

I know it's still way too early for Christmas references, but remember the line in the Grinch movie when the mayor of Whoville says, "Can we just get back to Christmas?" It kind of reminded me of what I think all investors are feeling right now, but with this twist: "Can we just get back to market fundamentals?" You know, no politics, just looking at the economic data, the Federal Reserve (Fed), rates, etc.—all that wonderfully boring stuff.

Well, look no further…

- As I blogged last week, the Fed met and on November 5 announced its decision to keep policy "right where it is." Fed chair Jerome Powell seemed to hint that nothing further is needed at this time but reiterated that "we are not out of power on monetary policy."
- To the October jobs report: a solid, better-than-expected showing. Nonfarm payrolls rose by 638,000 and has now recouped 54% of the March/April plunge.
- Private payrolls surged by 906,000, as a reversal in temporary census worker hiring and further declines in state and local government held down the gain in the overall number.
- The unemployment rate dropped 1.0% to 6.9%, officially more than cutting in half the summer's record high of 14.7%.
- The jobless rate decline was a reflection of a 2.2 million surge in civilian employment overwhelming a 724,000 increase in the labor force—both positive labor market signs.
- I have no doubt that further U.S. economic improvement could be more challenging than what investors have witnessed up to this point, but one has to admit the bounce back has been much stronger and quicker than expected. For what it's worth, Atlanta Fed has Q4 GDP at +3.5%.
- The Fed acknowledged as much last week, but Powell continues to push for more fiscal stimulus— another round of fiscal stimulus does seem likely in my opinion…

Fixed Income Musings

- The U.S. Treasury 10-Year yield swung by roughly 20 basis points (bps) on election night/the morning after, reaching as high as 0.94% before falling to 0.75%
- We still see the path of least resistance being a steeper yield curve, with credit spreads narrowing further, and would position fixed income portfolios accordingly

Unless otherwise stated, data source is Bloomberg, as of November 6, 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

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Gross domestic product (GDP) : The sum total of all goods and services produced across an economy.

Fiscal Stimulus : Using fiscal policy as a tool to provide economic growth.

10-year government bond yield : Yields on the 10 year government debt security.

Basis point : 1/100th of 1 percent.

Yield curve : Graphical Depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.

Spread : Typically refers to a difference between a measure of yield for one asset class and a measure of yield for either a different subset of that asset class or a different asset class entirely.