



Market Commentary December 7, 2020

Dear Investors:

When is bad news good news? Take a look at last week.

Major stock indices in the United States hit all-time highs on Friday, despite a lackluster employment report and a surge in COVID-19 cases, reported Lewis Krauskopf of *Reuters*. During the week, we saw:

- **The slowest jobs growth since the economic recovery began.** The *Bureau of Labor Statistics* reported 245,000 jobs were created in November. "...a key sign of holiday enthusiasm – the hiring of thousands of workers to help with the holiday retail rush – simply didn't happen this year. Some of those workers – but clearly not enough – are helping with online shopping duties, filling warehouses around the country, or driving vans from house to house," reported Avi Salzman of *Barron's*.
- **New unemployment claims remain steady.** More than one million people a week are filing first time jobless claims, reported Dion Rabouin of *Axios*. On November 14, more than 20 million Americans were receiving unemployment assistance.

It's difficult to know how much weight to give this data since the *Government Accountability Office* shared weekly unemployment insurance estimates issued by the Department of Labor "... have potentially both overestimated and underestimated the total number of individuals actually claiming unemployment insurance...due to state backlogs in processing claims and other data issues..."

- **COVID-19 cases spiked across the United States.** Coronavirus-related deaths hit a one-day record last week, and "...hospitalizations surpassed 100,000 for the first time this week, leaving hospitals in some regions of the country without enough beds in intensive-care units to meet their patients' needs," reported Melanie Evans of *The Wall Street Journal*. This is undermining consumer confidence and depressing economic activity.

In light of this news, why were markets bullish?

Signs the economic recovery is faltering create a strong incentive for Congress to pass a stimulus bill in 2020 instead of delaying until next year, reported *Barron's*. An analyst cited by the publication said, "Under the circumstances, it is hard to be a seller of any risk asset as long as there is a good possibility of getting a deal done..."

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During the next few months, markets may be quite volatile. Hang tight and keep your eyes on your long-term financial goals.

Data as of 12/4/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.7%	14.5%	18.8%	11.9%	12.1%	11.7%
Dow Jones Global ex-U.S.	1.4	6.6	11.4	2.6	5.7	2.7
10-year Treasury Note (Yield Only)	1.0	NA	1.8	2.4	2.3	2.9
Gold (per ounce)	3.6	21.0	25.0	13.1	11.3	2.7
Bloomberg Commodity Index	-0.7	-8.2	-4.6	-4.7	-1.9	-7.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT DOES IT TAKE TO BE MIDDLE CLASS IN THE UNITED STATES? The not-so-simple answer is it depends on how you define ‘middle class.’

In a 2018 report, Pew Research Center defined middle class as middle income. “In our analysis, “middle-income” Americans are adults whose annual household income is two-thirds to double the national median, after incomes have been adjusted for household size. In 2016, the national middle-income range was about \$45,200 to \$135,600 annually for a household of three.”

In November, *USA Today* shared an analysis by Michael Sauter that adopted a different standard. It considered U.S. family income from “...the lower boundary of the second quintile and the upper boundary of the fourth quintile [of the U.S. Census Bureau’s 2018 American Community Survey], representing in total 60 percent of American families...The analysis made some cost-of-living adjustments and found, “...the range of income that could be considered middle class in a given state.”

In the states with the highest median (the number in the middle of the list) family incomes, middle-class income ranged from:

- Massachusetts: \$35,233 to \$188,259
- New Jersey: \$39,920 to \$197,868

States in the middle of the pack for median family income had these middle-class income ranges:

- Wyoming: \$25,760 to \$111,422
- Kansas: \$24,741 to \$105,573
- Iowa: \$24,663 to \$101,008

In the states with the lowest median family incomes, the middle-class income range was:

- West Virginia: \$17,452 to \$85,516
- Mississippi: \$15,165 to \$81,480

It’s interesting to note the 2020 federal poverty threshold set by the *U.S. Department of Health and Human Services*, which determines eligibility for various federal programs, was \$26,200 for a family of four.

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Not everyone uses income to define the middle class. Richard V. Reeves, Katherine Guyot, and Eleanor Krause of *Brookings* explored the question, asking:

“Is middle-class status a reflection of economic resources, especially income or wealth? Or is it denoted more clearly by occupational status and/or educational attainment? Is it, rather, a state of mind, a set of aspirations, or revealed through behavior, cultural tastes, or by certain kinds of consumption? Is it a question of how we define ourselves?”

What do you think?

Weekly Focus – Think About It

“I wasn't going to be an actor. I was going to be a lawyer. I came from a family just above working class, just below middle class, a great family of wonderful values. The idea of me having a chance for a law degree was enticing. Enticing to me but also very enticing to my family.

--Gerard Butler, Actor

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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