
CAN WE JUST GET BACK TO ... FUNDAMENTALS?

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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,

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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.