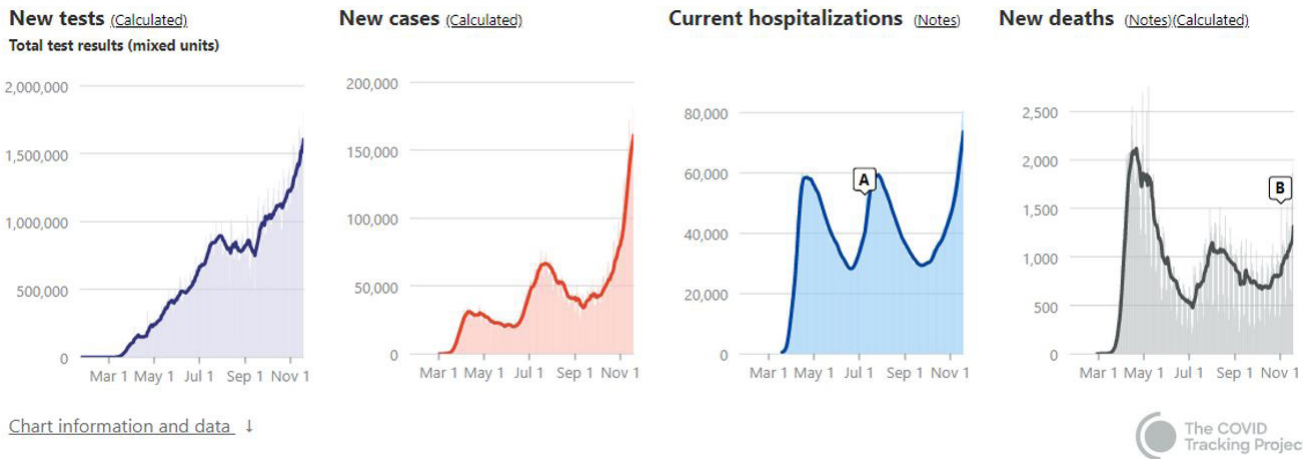


WEEK IN REVIEW

FRIDAY, NOVEMBER 20TH 2020

1. CORONAVIRUS CASES CONTINUE TO CLIMB

New coronavirus cases in the United States have spiked to over 180,000 a day as the recent surge remains unabated. Hospitalizations are now exceeding previous peaks, although increasing at a slower rate than case growth.



Source: covidtracking.com/data

Pressure on the nation's healthcare system is growing. State and local governments are responding by imposing restrictions on businesses and personal gatherings. California reinstated Covid-19 restrictions on 40 counties this week and warned of a possible curfew. Governments are continually evaluating the balance of restrictions on activity for health and safety reasons while trying to mitigate the economic harm from those restrictions. The Hill noted that President-elect Biden said on Thursday that he would not implement a nationwide shutdown as part of his administration's effort to control the spread of the coronavirus.

On the positive side, Moderna, like Pfizer in the prior week, announced that its coronavirus vaccine candidate is 94.5% effective based on an interim analysis of phase three data. The safety data showed that the majority of adverse events were mild or moderate in severity. Moderna also said its vaccine candidate is now expected to remain stable at standard refrigerator temperatures of 2° to 8°C (36° to 46°F) for 30 days, up from the previous estimate of 7 days. This comes in the wake of some of the logistics/distribution concerns (WSJ) surrounding the vaccine candidate from Pfizer. The Moderna vaccine storage temperature is comparable to the current vaccine distribution network infrastructure which would aid in the ability to roll out to the country more quickly. A full nationwide distribution of the vaccine is still likely many months away at best.

2. ECONOMIC DATA IS MIXED

October retail sales surprised lower with core categories mostly weaker after a surprisingly strong September. Headline October sales of 0.3% month to month missed expectations of 0.5%, down from September level of 1.6%. Retail sales excluding autos and gasoline of 0.2% also missed the expected 0.8%, down from the prior month of 1.2%. Core categories missed with losses in clothing, sporting goods, furniture, groceries, and health. Electronics, building materials, and non-store retailers gained.

Weekly jobless claims were higher at 742,000 in the week ending 11/14, versus the consensus of 700,000 and the prior week's reading 711K. The largest increases were in Washington, California, Massachusetts; the largest decreases were in Georgia, Illinois, Kentucky. Continuing claims for the week ending 11/7 fell to 6.37M vs consensus 6.44M and prior week's 6.80M. While economic data has clearly bounced from the trough, continued improvement is needed to bring the economy back to its full potential.



Source: fred.stlouisfed.org

3. NEWS OUT OF WASHINGTON

President-elect Joe Biden is poised to become the next U.S. President as final vote counts come in, and Donald Trump lawsuits have been ineffective. A question remains as to how smooth the transition of power will be and what, if any repercussions may arise. The Senate races in Georgia are set for a run-off in early January. The Republicans hold 50 seats to the Democrats 48. Expectations are for significant resources from both parties to be spent in this run-off. Georgia has typically been a Republican state, but Joe Biden has carried it by a slim margin in this Presidential race.

Fiscal stimulus does not seem to be happening anytime soon. The Washington Post reported that while there had been some hope that select coronavirus relief measures could be paired with must-pass spending legislation to avoid a government shutdown next month, senior congressional officials have grown increasingly pessimistic that it can be achieved in the lame-duck period. Bloomberg highlighted comments from Senate Appropriations Committee Chairman, who in response to Biden's remarks said it's doubtful the Senate will ever pass a gigantic package and the focus should be on a skinny bill.

THINKING AHEAD

Coronavirus cases are surging around the country resulting in additional economic restrictions being put into place. Vaccine development continues as the market balances an economic recovery with rising cases and timing of vaccine distribution. Senatorial election results are still pending in Georgia as the country awaits a run-off election in January. Macroeconomic data is mixed as the country hobbles through the pandemic. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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