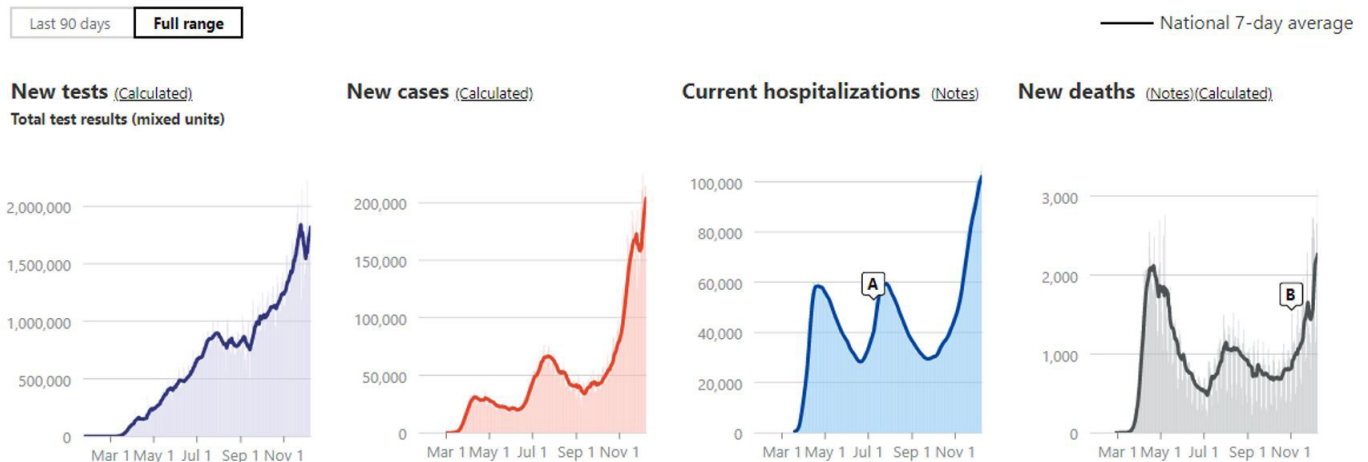


WEEK IN REVIEW

FRIDAY, DECEMBER 11TH 2020

1. POST-THANKSGIVING CORONAVIRUS SURGE

New cases in the United States have now averaged over 200,000 a day as the recent surge remains unabated. Hospitalizations are now exceeding previous peaks at 100,000 with new deaths also setting new highs.



Source: covidtracking.com/data

Pressure on the nation's healthcare system is growing. Citing Health and Human Services data, NY Times and ABC News highlighted the extent to which American hospital capacity is coming under strain from coronavirus patients. Hospitals serving more than 100 million Americans had less than 15% ICU beds still available as of last week. More than a third of Americans live in areas where hospitals are running critically short of ICU beds. One-in-ten Americans across large parts of the Midwest, South, and Southwest live in areas where ICU beds are either full or have less than 5% available, a development that experts say make it difficult or impossible to maintain existing standards of care for the sickest patients.

The UK and Canada were the first countries to approve the Pfizer-BioNtech vaccine. The first recipient of the approved vaccine was a 90-year-old woman in the UK. While the vaccine passed initial safety protocols, the UK did warn those with a significant history of allergic reactions should not take the vaccine after incidents involving two healthcare workers who received the shot. The U.S. FDA is scheduled to rule on approval of the Pfizer vaccine on 12/10/2020 and the Moderna vaccine next week. A full nationwide distribution of the vaccine is still likely many months away at best.

Bi-partisan stimulus talks have resumed in Washington. Republican requests for liability protections and Democratic calls for state/local government aid have remained the key stumbling blocks to a new fiscal stimulus bill (see WSJ, Bloomberg, The Hill). The same issues have hampered stimulus talks since the summer and have been holding up progress on the recent \$908 billion bipartisan relief proposal. In addition, a new wrinkle in the discussions with the White House include a proposal favoring \$600 stimulus checks over enhanced unemployment benefits. This seems to be a non-starter for Democrats, even though they want to include stimulus checks. They have also resisted Republican calls to shift talks from the bipartisan group to the leadership teams. However, Treasury Secretary Mnuchin did note on Thursday morning that progress is being made (Factset).

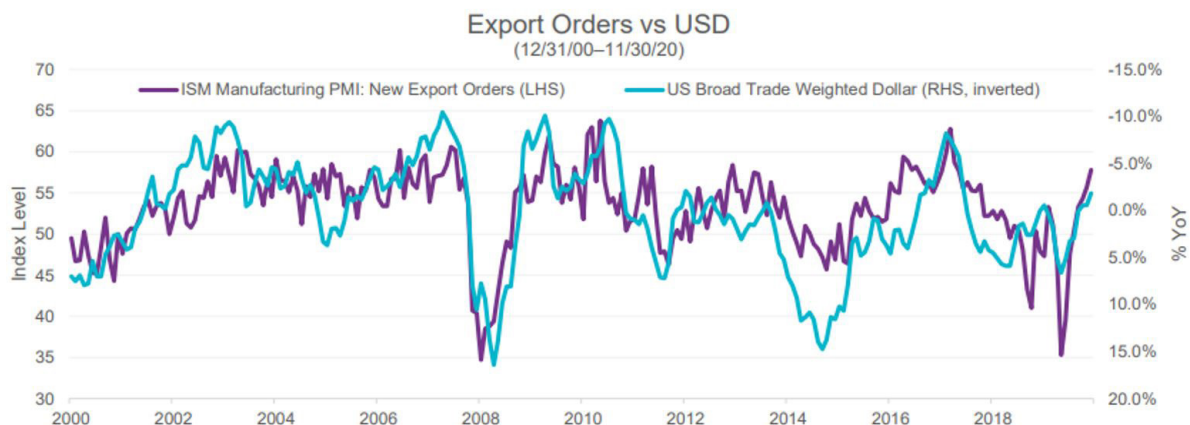
2. ECONOMIC DATA TURNING MORE NEGATIVE ON THE WEEK

Weekly initial jobless claims at 853,000 increased in the week ending 12/5/2020, versus expected 712,000 and prior week's 716,000. Four-week average was 776,000, up 36,000. Continuing claims for the week ending rose for first time since August to 5.757 million versus consensus 5.520 million and prior week's 5.527 million. Elsewhere, November CPI of 0.2% m/m beat consensus 0.1% following last month's 0.0%. The 1.2% y/y rate (estimate 1.1%) is unchanged from October's report. Inflation is picking up slowly and the unemployment gains have reversed this week. While economic data has clearly bounced from the trough, continued improvement is needed to bring the economy back to full potential.

3. WEAK U.S. DOLLAR IS A BOON TO EXPORTS

Natixis published some interesting thoughts on the U.S. dollar. After normalizing from its spike at the peak of the crisis, the US dollar has continued to weaken to levels not seen since early 2018. Not only does a weak dollar ease financial conditions and increase risk appetite, but it also helps to drive increased global demand for U.S. products. The new export orders component of manufacturing PMI tends to correlate very closely with the dollar. Not surprisingly, as the dollar slide has picked up momentum and growth has continued to recover, export orders have followed suit. Not only should increased export orders help top and bottom lines for U.S. multinationals, but a tighter trade deficit provides an added boost to U.S. growth prospects in 2021.

Weak Dollar a Boon for Exports



Source: Natixis Portfolio Clarity®, Bloomberg.

THINKING AHEAD

Coronavirus cases surged around the country pressuring the healthcare system. The vaccine rollout began in the UK and may be approved in the U.S. in the coming weeks. Odds have increased for a bi-partisan stimulus package to aid struggling U.S. consumers and businesses. Macroeconomic data is mixed as the country hobbles through the pandemic. The U.S. dollar has weakened which if sustained will benefit U.S. companies with global businesses. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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