

# Wentz Weekly

November 16, 2020

## Vaccine Progress Sparks Rotation



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Trading in the stock market last week saw a massive rotation to start the week. Another week of increasing Covid-19 cases, hospitalizations, and different states warning about bringing back lockdown measures served as a reminder the pandemic can continue to cause economic damage. Measures are being taken across the country to stop its spread with some states threatening to bring back lockdown orders. However, with positive news from Pfizer on its vaccine trial, optimism returned to the markets and investors were in risk on mode with \$44.5 billion moving to equity funds over the week. The most virus sensitive names like airlines and retailers were much higher, while stocks that have done so well like Zoom Video and Clorox significantly underperformed. The shift in investors' attitudes was apparent in the major indices – the Dow, with more blue-chip value type stocks, and the Russell 2000, an index representing small sized companies, were higher and both reached record highs last week, while the NASDAQ, heavily weighted in technology, ended the week lower.

A consequence of better than expected vaccine news is the fading chance of a larger and wider reaching stimulus package. A fiscal stimulus package was becoming less likely in the lame duck session, especially as economic conditions improve and the President continues his focus on the election. Bloomberg reported the Trump administration is stepping back from negotiations and leaving it to Senate Majority Leader McConnell and House Speaker Pelosi. Joe Biden and Pelosi both commented on the "urgent need" for additional funding, which will remain a challenging task especially with the high price tag Democrats are targeting. Senate Republicans support \$500 billion of funding, roughly one trillion less than Treasury Secretary Mnuchin's offer, who has been leading negotiations prior to the election, and well below the \$2.4 trillion House Democrats have been pushing for. Pelosi and Mnuchin came close to a deal prior to the election, but disagreement remained on the amount allocated to state and local governments and protection for businesses. McConnell's lower offer comes after more data showing an improving economic picture and positive vaccine news. Several key dates for Washington are approaching, including a funding deadline on December 11.

The Walt Disney Company had a solid beat on top and bottom lines in its fourth quarter. Its bottom line loss was a third of expectations, and revenues were 23% lower than a year ago but \$610 million better than expected. But the largest beat came from its streaming services, which offset a steep revenue decline in its media and parks segments. The Disney+ service ended the quarter with 73.7 million subscribers, over eight million more than expected and accumulating that many in just its first year. For comparison purposes, Netflix had 73 million US subscribers in its most recent quarter end and 195 million global subscribers. ESPN+ subscriber numbers were also higher than expected, at 10.3 million versus the 9.2 million expected.

The US Commerce Department is delaying the implementation of its order that would effectively shut down the Chinese video sharing app TikTok from operating in the U.S. The order would have prevented companies from providing internet hosting and content delivery services to TikTok, such as Fastly. The Trump Administration started the battle against TikTok several months ago, arguing it wants to prevent U.S. users' data from being shared with Chinese government, and its goal is to protect data of the U.S. users. A September proposal was approved by the Administration which would give Oracle and Walmart a 20% stake in a newly created U.S. entity TikTok Global.

## Company News

- Boeing's stock traded higher last week after a spokesman said the Federal Aviation Administration is in the final stages of reviewing the 737 MAX and may be ready to lift the grounding order as soon as this week.
- ZoomInfo reported quarterly results that were better than analysts' expectations where the company saw revenue growth of 56%. They also disclosed a record number of new customers in the quarter. Company guidance for the fourth quarter was increased from its prior forecasts and also above analysts' estimates.
- Nikola said in its earnings call it is continuing its discussions on its previously announced partnership with GM. Later in the week Cumming and Navistar said they will work together to develop a hydrogen powered class 8 truck, which gave a boost to Nikola stock based on its plans to start producing a hydrogen powered truck by 2023.

## The Week Ahead

The economic calendar picks up this week. We will see the mid-month manufacturing surveys from the New York and Philadelphia regions. On Tuesday morning retail sales are released where the consensus expects a 0.4% increase in October. We will also see industrial production and business inventories on Tuesday. We will see if the strong housing trend is continuing into the fall and winter months with housing starts and permits on Wednesday followed by the report on existing home sales for October on Thursday. Also on Thursday is the latest on unemployment claims. The earnings calendar picks back up as well, with mostly retailers reporting. The highlights will be JD.com and Tyson Foods on Monday, Home Depot, Walmart, Nio, and Kohl's on Tuesday, Lowe's, Target, and Nvidia on Wednesday, and Macy's and Workday on Thursday. On Monday and Tuesday OPEC will be holding its semi-annual meeting. OPEC recently warned that global oil demand will rebound more slowly in 2021 than previously expected, citing an increasing amount of Covid-19 cases.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. 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 Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Information contained herein was received from sources believed to be reliable, but accuracy is not guaranteed. Information provided is general in nature and is not a complete statement of all information necessary for making an investment decision and is not a recommendation or a solicitation to buy or sell any security. Investing always involves risk and you may incur a profit or loss. Keep in mind that individuals cannot invest directly in any index. Past performance does not guarantee future results. There is no assurance these trends will continue, or forecasts will occur.