

Wentz Weekly

December 28, 2020

The Santa Claus Rally



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President Trump finally signed the Covid-19 relief and government spending bill into law Sunday evening. Prior to Sunday, the relief bill was delayed after Trump threw a wildcard calling it a “disgrace” and demanded lawmakers raise the direct payments to individuals from \$600 per person to \$2,000. House Democrats immediately accepted the President’s offer and approved the increase, while the Republican led Senate did not. It was a questioned move by the President especially with the Georgia Senate runoff election right around the corner where Republicans must win at least one of the two runoffs to keep majority in the Senate. Trump signing the bill into law also avoids a government shutdown where funding would have run out. The bill includes \$1.4 trillion to keep the government open through September 2021.

The bill, officially titled “Consolidated Appropriations Act, 2021”, combines a \$1.4 trillion omnibus spending bill for the 2021 fiscal year that prevents a government shutdown with the \$900 billion Covid-19 stimulus bill, and at 5,593 pages is the longest bill to pass Congress. Relief includes \$325 billion for small business including the payroll protection program, \$166 billion for \$600 in direct payments to individuals, \$120 billion for enhanced federal unemployment benefits of an additional \$300 per week until March, \$82 billion for schools, \$69 billion for vaccines, testing and health providers, \$25 billion for rental assistance, and a one month extension to the eviction moratorium.

It was looking like a no deal in the Brexit saga as the December 31 transition date drew nearer, but as time was running out the European Union and United Kingdom reached a Christmas Eve separation agreement. The UK has already been separated from the EU since January 31, but the transition period ends December 31, which was the hard deadline to reach a trade agreement and when tariffs would be applied for the first time in over 50 years between the two sides. Both sides worked through the night and finally resolved differences, mainly over fishing rights. The agreement will be the largest trade deal signed by the UK or EU and will be based on zero tariffs and zero quotas. It is difficult to determine the long-term market and economic impact since no nation has left the EU before, but a trade agreement prior to year-end was better than none. The deal had perhaps the biggest impact on the British pound, which rose to a three year high against the dollar.

Sales of existing homes for November fell for the first time in five months, driven by a lower supply of homes on the market. Sales for the month fell 2.3% to a seasonally adjusted annualized pace of 6.690 million homes. The November sales rate follows a 15 year high in October when an annualized 6.850 million homes were sold. The housing market, being fueled by record low interest rates, is so strong that sales of existing homes are 26% higher than the same period a year ago. The issue is record low inventory. Supply of existing homes were down 10% in November compared to the month prior with 1.28 million homes on the market, just 2.3 month supply at the current sales rate. A balanced market typically has 6 month supply. The supply/demand imbalance is driving the median home price higher as well. The median price of an existing home is 15% higher from a year ago at \$310,800.

Company News

- Chinese regulators announced an investigation into Alibaba for monopolistic practices. Regulators are looking into Alibaba’s policy of “choose one of two” where it requires its merchants to sign exclusive cooperation pacts that prevent their offerings from being sold on other platforms. Shares of Alibaba sold off on the news.
- Warner Bros’ *Wonder Woman 1984* generated \$16.7 million in the U.S. and Canada in box office sales over the Christmas weekend, the most since theaters were forced to close months ago. In addition, half of HBO Max’s subscriber base viewed the film on Christmas day. The high demand prompted Warner Bros to accelerate development for a third film.
- Shares of Nikola sold off last Wednesday after it said it will discontinue its collaboration with Republic Services on refuse truck development. A few months ago Nikola signed a deal with Republic to deliver 2,500 of the Nikola trucks to Republic. The company said it was determined the development time was longer than expected and they faced unexpected costs.

The Week Ahead

The calendar is very light for this holiday shortened week. There are no notable earnings reports this week. The only corporate news or events are a pair of mergers and acquisitions that will see a shareholder vote including LVMH’s acquisition of Tiffany and the merger between Devon Energy and WPX Energy. The economic calendar is light as well. There are several housing market indicators including the Case Shiller Home Price Index and the pending home sales index. Outside of that we will receive the latest on unemployment claims for the week ending December 26. Stock and bond markets will be closed Friday for New Year’s Day. Have a safe, healthy and Happy New Year!

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.