



TheECONOMY

Winter is Coming

With positive developments on the vaccine front, a medical solution to the pandemic is now in sight, but the recovery path ahead remains challenging and prone to setbacks as illustrated by recent economic indicators. Daily COVID-19 cases surpassed 200k for the first time during the first week of December while consumer confidence indexes in November recorded their first monthly declines since July as new business restrictions across the country took effect.

November marked the seventh consecutive month of employment growth, but the steadily cooling pace of job gains suggests the labor market recovery is losing steam. As measured by the change in nonfarm payrolls, the U.S. economy added just 245k new jobs in November, well-below consensus and down meaningfully from the 610k print registered in October. The headline unemployment rate fell slightly to 6.7% although this is partly owed to a decline in the labor force participation rate.

With expanded unemployment benefits set to expire by year-end, market participants continue to pay close attention to the situation in Washington as congressional leaders work to craft a new relief bill. While Congress appears to be getting closer to a deal, talks of a potential \$908 billion stimulus package remain hung up on disagreements over aid to states and liability protection for businesses. Bipartisan lawmakers have until December 18 to strike a deal or pass an extension on their holiday recess to avoid a government shutdown.

The recent surge in COVID-19 cases and subsequent tightening of business restrictions may signal a rough winter for Americans, but the vaccine offers hope for better days ahead. President-elect Joe Biden and his administration will be tasked with the unique challenge of vaccine production and distribution, sure to be the top agenda item when he and his appointees assume office in January. While the outlook for growth next year remains uncertain, one thing is for sure - 2020 is finally almost behind us.

Treasury Yields

MATURITY	12/8/20	11/6/20	CHANGE
3-Month	0.071%	0.086%	-0.015%
6-Month	0.086%	0.091%	-0.005%
1-Year	0.096%	0.127%	-0.020%
2-Year	0.151%	0.153%	-0.002%
3-Year	0.202%	0.197%	0.005%
5-Year	0.393%	0.361%	0.032%
10-Year	0.918%	0.819%	0.099%
30-Year	1.662%	1.600%	0.062%

Source: Bloomberg

Agency Yields

MATURITY	12/8/20	11/6/20	CHANGE
3-Month	0.084%	0.089%	-0.005%
6-Month	0.092%	0.102%	-0.010%
1-Year	0.109%	0.113%	-0.004%
2-Year	0.174%	0.183%	-0.009%
3-Year	0.241%	0.243%	-0.002%
5-Year	0.474%	0.467%	0.007%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

MATURITY	12/8/20	11/6/20	CHANGE
1-Month	0.100%	0.110%	-0.010%
3-Month	0.190%	0.170%	0.020%
6-Month	0.230%	0.210%	0.020%
9-Month	0.280%	0.260%	0.020%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q3 '20	33.10%
US Unemployment	Nov '20	6.70%
ISM Manufacturing	Nov '20	57.50
PPI YoY	Oct '20	-1.10%
CPI YoY	Oct '20	1.20%
Fed Funds Target	Dec 07, 2020	0.00% - 0.25%

Source: Bloomberg