Simmons WEALTH MANAGEMENT

Monthly Investment Report

December 2020

***SUMMARY:* Investors largely ignored rising COVID-19 cases and drove up stock prices in November to their best returns in years. Instead, they focused on positive developments, such as optimism over several promising vaccines, resolution of the U.S. elections, and the prospect of a more collegial relationship between the Federal Reserve and the incoming Biden administration. Assuming former Fed chair Janet Yellen is confirmed as the new Treasury secretary, that might increase the odds of more fiscal as well as monetary stimulus, we believe.**

U.S. stocks had double-digit returns in November, led by smaller cap stocks. The Dow Jones Industrial Average returned 12.1%, its best month since January 1987, after breaking through the 30,000 mark for the first time on November 24th. The index is now up 6.1% for the year. NASDAQ gained 11.9%, boosting its year-to-date return to 37.1%, while the S&P 500 added 10.9% to its 2020 return to 14.0%. But smaller cap stocks outperformed the big caps, indicating optimism about a more vigorous recovery. The S&P 400 MidCaps rose 14.3% to boost their 2020 return into the green at 6.7%, while the S&P 400 SmallCaps jumped 18.2%, raising their 11-month return to 2.7%.

All 11 sectors in the S&P 500 had positive returns in November, led by those stocks that have lagged the rest of the market most of this year. Energy stocks jumped 28.0% as the price of crude oil rose 26.7%, although they remain down by 36.7% so far this year. Financials, which have been beaten down by low interest rates, rebounded by 16.9% as fears about high loan losses due to the pandemic now appear to be overstated; still, the sector remains down by 7.5% for the year. Industrials rose 16.0%, boosting their 11-month return into the green by 9.7%. Information technology stocks remain the best performers so far this year, up 36.1%, followed by consumer discretionary stocks, which are up 30.0%.

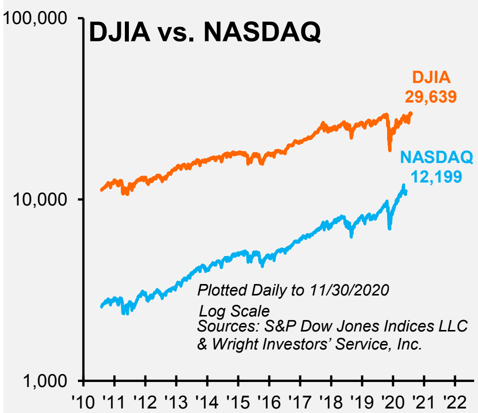
Stocks outside the U.S. mostly enjoyed double-digit returns in dollar terms, helped by a weaker dollar. Eurozone stocks gained 17.1% as the dollar lost 2.3% against the euro, followed closely by U.K. equities, which rose 16.8% as the dollar fell 2.8% against the pound. Japanese stocks rose 12.5%. Chinese stocks, which have been the best performers this year, were the most notable laggards in November, rising a relatively weak 2.8% while holding onto a 26.0% year-to-date gain.

Bonds also had positive returns last month, led by those sectors with the biggest risk. High-yield U.S. bonds led the pack with a 4.0% return, followed by corporate bonds with a 2.5% return. The Bloomberg Barclays U.S. Aggregate, which is heavily weighted with government bonds, rebounded by 1.0% to raise its 2020 return to 7.4%. Outside the U.S., the Bloomberg Barclays Global Aggregate ex-U.S. index returned 2.4% to increase its return this year to 7.8%. Gold prices fell 5.5% to trim their full-year return to 16.6% as investors sought riskier assets.

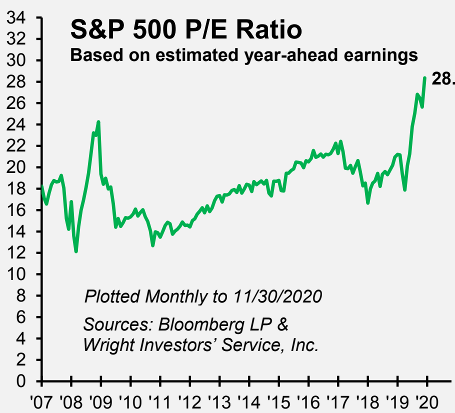
THE ECONOMY

Recent reports indicate flagging, albeit still relatively strong, U.S. economic growth. The Institute for Supply Management's two main indexes remained solidly in expansion territory (i.e., above 50) despite declining slightly last month; the manufacturing index fell to 57.5 from 59.3 previously while the services index dipped to 55.9 from 56.6. The Conference Board's index of leading economic indicators rose 0.7% for the second straight month in October, although the board cautioned that the index "has been decelerating in recent months, which suggests growth will moderate significantly in the final months of 2020." But durable goods orders rose 1.3%, ahead of forecasts, while core capital goods orders gained 0.7%. Industrial production rebounded, climbing 1.1% after declining 0.6%, as did the capacity utilization rate, which rose to 72.8% from 72.0%.

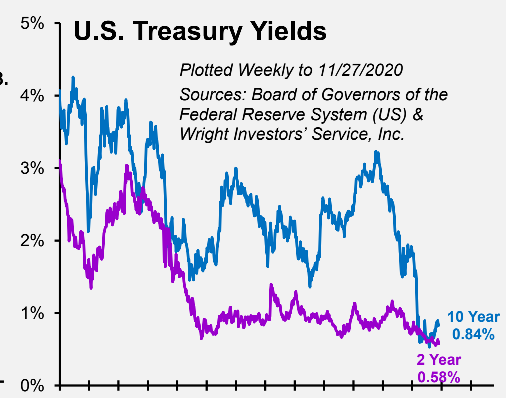
US Equity Markets hit new highs



P/Es Have Risen Sharply



2 & 10 Year: Yield Curve Has Steepened



Prepared for SIMMONS WEALTH MANAGEMENT by Wright Investors' Service, Inc.

Total Investment Returns — 11/30/2020

	November	Last 12 Mos.
Dow Jones Industrial Average	12.1%	8.1%
Nasdaq Composite	11.9%	42.1%
S&P 500 Composite	10.9%	17.5%
S&P MidCap 400	14.3%	9.7%
S&P SmallCap 600	18.2%	5.8%
MSCI World ($)	12.8%	14.5%
MSCI World ex U.S. ($)	15.3%	6.2%
Bloomberg Barclays U.S. Aggregate	1.0%	7.3%
90-Day Treasury Bills	0.0%	0.8%
Consumer Price Index NSA* (Oct 2020)	0.0%	1.2%

*NSA: Not Seasonally Adjusted   Sources: Bloomberg LP & Wright Investors' Service, Inc.

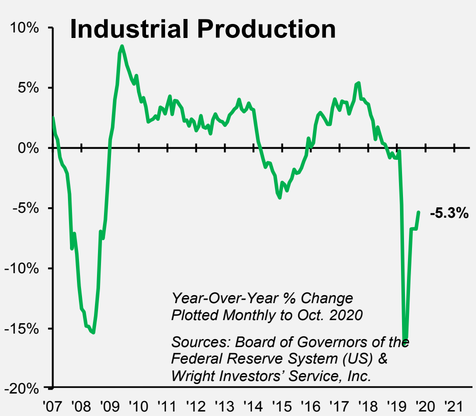
Consumer spending growth slowed in October although the jobs picture brightened a bit as we entered December. Retail sales rose 0.3% in October, although that was down from the prior month's 1.6% gain. Likewise, personal consumption expenditures, a broader category, rose 0.5%, down from September's 1.2% rate, as personal incomes fell 0.7% after rising by that much the previous month. Not surprisingly, perhaps, the Conference Board's consumer confidence dropped more than four points in November to 96.1. On the positive side, jobless claims for the last week of November fell unexpectedly by 75,000 to 712,000 after rising the previous two weeks, while continuing claims declined.

Home prices continued to soar, potentially endangering the bull market in housing. Sales of existing homes rose another 4.3% in October to an annual rate of 6.85 million, the highest level since February 2006 and up 26.6% versus a year earlier. But pending home sales, a leading indicator of future sales, slipped 1.1%, the second straight monthly decline. With the inventory of homes for sale and mortgage rates both now at historic lows and soaring demand, the supply imbalance is causing an upward pressure on home prices, which in turn is making housing out of reach for many interested home buyers. The S&P CoreLogic Case-Shiller National Home Price Index posted a 7% annual gain in September, the highest annual growth rate since May 2014, while the National Association of Realtors reported that all 181 metro areas it tracks showed an annual home price increase in the third quarter, the first time that's happened, with prices rising by more than double-digit percentages in two-thirds of them. The NAR noted that home prices are rising four times as fast as incomes. Sales of new homes fell 3.5% to an annualized rate of 999,000, although that was offset somewhat by a sharp revision in the prior month's figure to more than one million; new home sales are up more than 41% over last year.

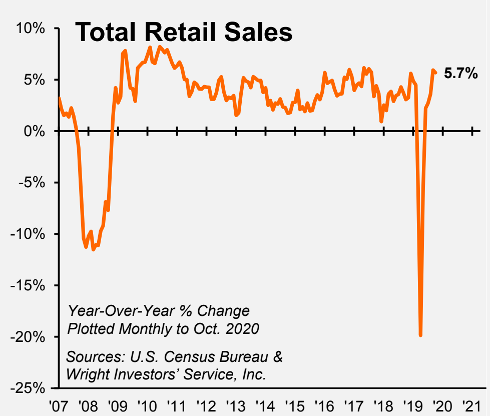
INVESTMENT OUTLOOK

Despite rising levels of Covid-19 cases, we believe, the investment and economic outlook appears brighter than it has since the pandemic lockdowns began last February as several uncertainties have started to clear. At least two competing pharmaceutical partnerships say their vaccines are more than 90% effective and appear ready to come to market before yearend pending final government approval, which appears likely. The U.K. has already started rolling them out. Several states have instituted more restrictions to halt the spread of the virus, but few appear to want to go back to last spring's draconian lockdowns. With the U.S. elections mostly out of the way – two senatorial races in Georgia remain to be decided – investors are hoping for an improved political climate that might portend an agreement on a second fiscal stimulus package. Indeed, on December 1, a bipartisan group of senators unveiled a new plan of targeted aid that may be the launching pad for a deal before yearend. At the least, President-elect Biden's nomination of former Fed chair Janet Yellen to Treasury secretary bodes well for a more harmonious partnership between the government and the central bank, which should benefit the economy and asset prices. We continue to believe that holding a well-diversified portfolio of high-quality assets for the long-term remains the best strategy.

Manufacturing: Still Under Pressure



Consumer Spending: Good Rebound



Core Inflation: Hovering Below 2%