CenterState
CORRESPONDENT DIVISION

Market Update

November 16, 2020

Treasuries

Treasury Curve	Today	Week Change
3 Month	0.08%	Unch
6 Month	0.10%	Unch
1 Year	0.11%	-0.01%
2 Year	0.18%	+0.01%
3 Year	0.23%	Unch
5 Year	0.41%	-0.01%
10 Year	0.92%	Unch
30 Year	1.68%	-0.03%

Short-Term Rates

Fed Funds	0.25%
Prime Rate	3.25%
3 Mo LIBOR	0.22%
6 Mo LIBOR	0.25%
12 Mo LIBOR	0.34%

Swap Rates

3 Year	0.317%
5 Year	0.480%
10 Year	0.918%

Economic Calendar

Date	Statistic	For	Briefing Forecast	Market Expects	Prior
Nov 16	Empire Manufacturing	Nov	13.8	13.5	10.5
Nov 17	Advance Retail Sales MoM	Oct	0.5%	0.5%	1.9%
Nov 17	Retail Sales Control Group MoM	Oct	0.5%	0.5%	1.4%
Nov 17	Industrial Production MoM	Oct	1.0%	1.0%	-0.6%
Nov 18	Housing Starts MoM	Oct	2.8%	3.0%	1.9%
Nov 18	Building Permits MoM	Oct	1.4%	1.5%	4.7%
Nov 19	Philly Fed Business Outlook	Nov	22.0	22.0	32.3
Nov 19	Leading Index	Oct	0.7%	0.7%	0.7%
Nov 19	Existing Home Sales MoM	Oct	-1.4%	-1.4%	9.4%

Top 5 Events for the Week

NOV 16—20, 2020

1. Virus Outlook—All Week
2. October Retail Sales—Tuesday
3. October Leading Index—Friday
4. October Housing Starts & Permits—Thursday
5. October Existing Home Sales—Friday

Virus Trends Regain Spotlight

With the election results coming into clearer focus, even though the Senate remains uncertain until Georgia's twin run-offs on January 5, for now investors are assuming the Senate will stay in Republican hands and that has their attention returning squarely to the virus. The outlook on vaccines, case trends and hospitalizations will be the leading factors driving trading. Moderna's upbeat news on their vaccine trials has the market in risk-on mode this morning, but the investors assumes case trends will get worse in the near-term, especially as Thanksgiving and Christmas bring groups together and just as the winter weather starts to bite keeping more of us indoors. The question will be whether trends accelerate to the point that some localized lockdowns will be necessary. We've learned a lot about the virus since March so full-scale lockdowns, with the attendant economic damage, are probably not in the cards, but certainly frontline service businesses could face a bitter winter if trends worsen significantly. Away from the virus news, this week will bring October results for retail sales (Tuesday), Leading Index (Friday), Housing Starts and Permits (Thursday) and Existing Home Sales (Friday). All are expected to post similar results to September and they were decent to good.

1. Virus Outlook—All Week

With the election results coming into clearer focus, even though the Senate remains uncertain until Georgia's twin run-offs on January 5, for now investors are assuming the Senate will stay in Republican hands, and that has their attention returning squarely to the virus. The outlook on case trends and hospitalizations will be the leading factors driving trading. The market assumes case trends will get worse in the near-term, especially as Thanksgiving and Christmas bring groups together and just as the winter weather starts to bite keeping more of us indoors. The question really will be whether the trends accelerate to the point that some partial, or localized, lockdowns will be necessary. We've learned a lot about the virus since March so full-scale lockdowns, with the attendant economic damage, are probably not in the cards, but certainly frontline service businesses could face a bitter winter if trends worsen significantly. While the vaccine news last week from Pfizer was positive, and Moderna posted similar results for their drug this morning but wide-spread inoculations are still a late spring to early summer event. What happens between now and then with the virus, and the need or not to implement lockdowns, will dictate much of the trading into year-end.

2. October Retail Sales —Tuesday

Perhaps second to the monthly jobs reports the Advance Retail Sales Report is a first-tier indicator of the health of the consumer and hence the economy. For October, sales are expected to be up 0.5% versus a huge 1.9% surprise in September. Sales ex-auto and gas are expected to stay positive but slow with an 0.6% reading versus 1.5% in September. The retail sales Control Group—a direct feed into GDP—is expected to be up 0.5% versus 1.4% in September. Thus, if expectations are met some weakening in sales versus an unusually strong September but still easily positive and that will be a note of encouragement to fourth quarter growth expectations. Currently, the Bloomberg consensus is for fourth quarter GDP to be 4.0%.

3. October Leading Index—Friday

The Leading Index plumbed new depths in March and April, as one would expect, but rebounded smartly in May and June while July and August saw a little fade from the May/June bounce. For October the index is expected to repeat the September numbers with a 0.7% print. The stock rally is helping to hold up the index but the threat of increasing virus cases and slowing in reopening activity is limiting gains in the index. Still, hanging above 0 is an accomplishment right now so we'll take it.

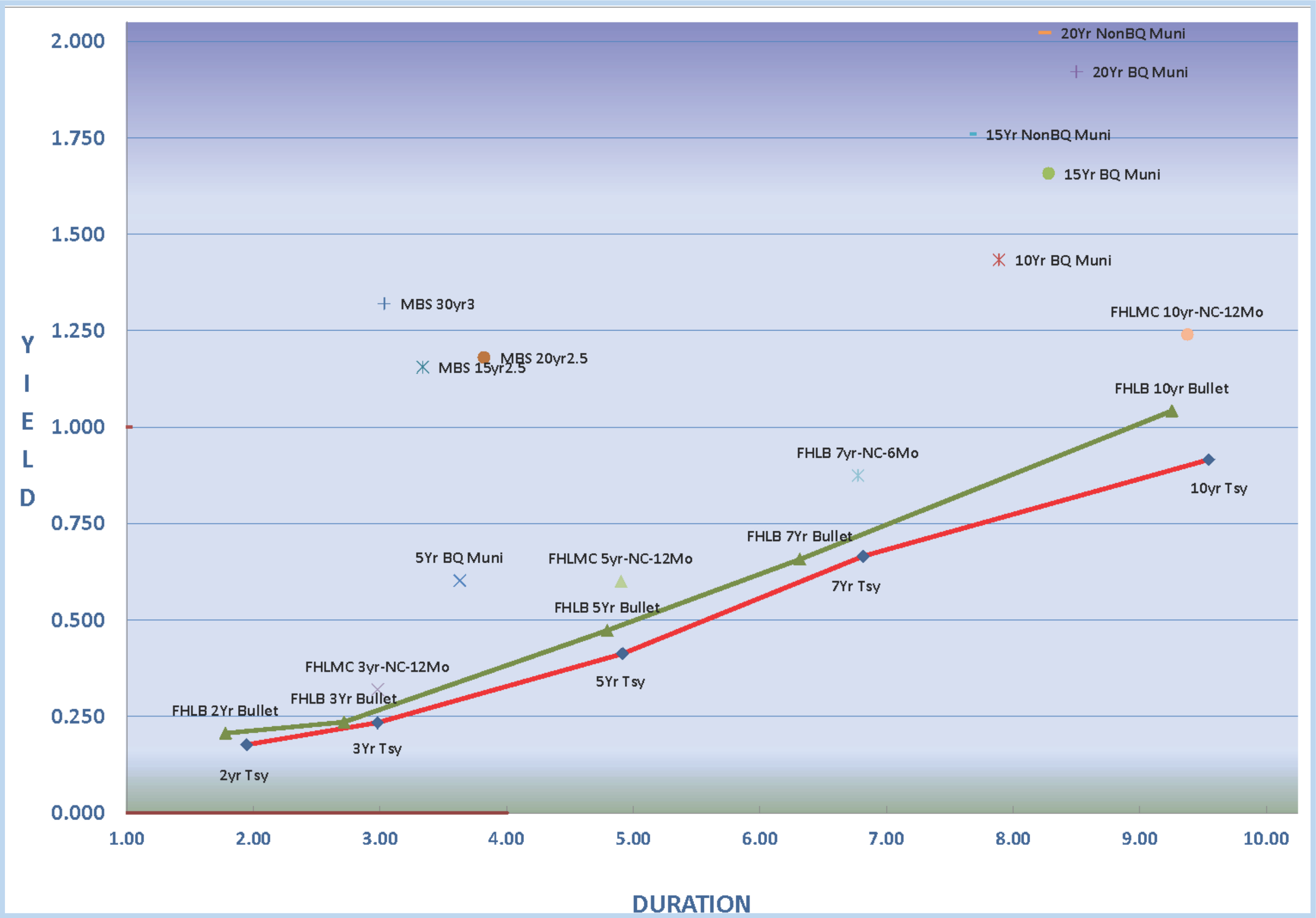
4. October Housing Starts & Permits —Wednesday

The housing market is one sector of the economy that has kept up the momentum from June though the summer, and October is expected to continue gaining after a bit of a pause in August. Starts are expected to increase 3.0% to 1.457 million units annualized versus September's 1.9% gain or 1.415 million units annualized. Permits are expected to increase 1.5% increase to 1.568 million annualized versus 1.545 million in September. So a solid read is expected for October, slightly better than September and that speaks to the continuing strength in all segments of the housing market.

5. October Existing Home Sales—Friday

On Friday we'll get October existing home sales—accounting for 90% of the residential market—which are expected to be down slightly from a huge September number shrinking –1.4% to 6.45 million houses from 6.54 sold on an annualized basis. The housing sector continues to benefit from record low mortgage rates and the October numbers should continue to show a housing market hitting on all cylinders. The 6.54 million annualized figure in September was the largest since December 2006 when sales were coming off the extremes of the housing bubble that peaked at 7.25 million annualized units sold in September 2005.

Yield Universe



Thomas R. Fitzgerald
Director, Strategy & Research
400 Interstate North Parkway
Suite 1200
Atlanta, GA 30339
Tfitzgerald@centerstatebank.com