

## Weekly Market Flash

### Momentum for the Moderates?

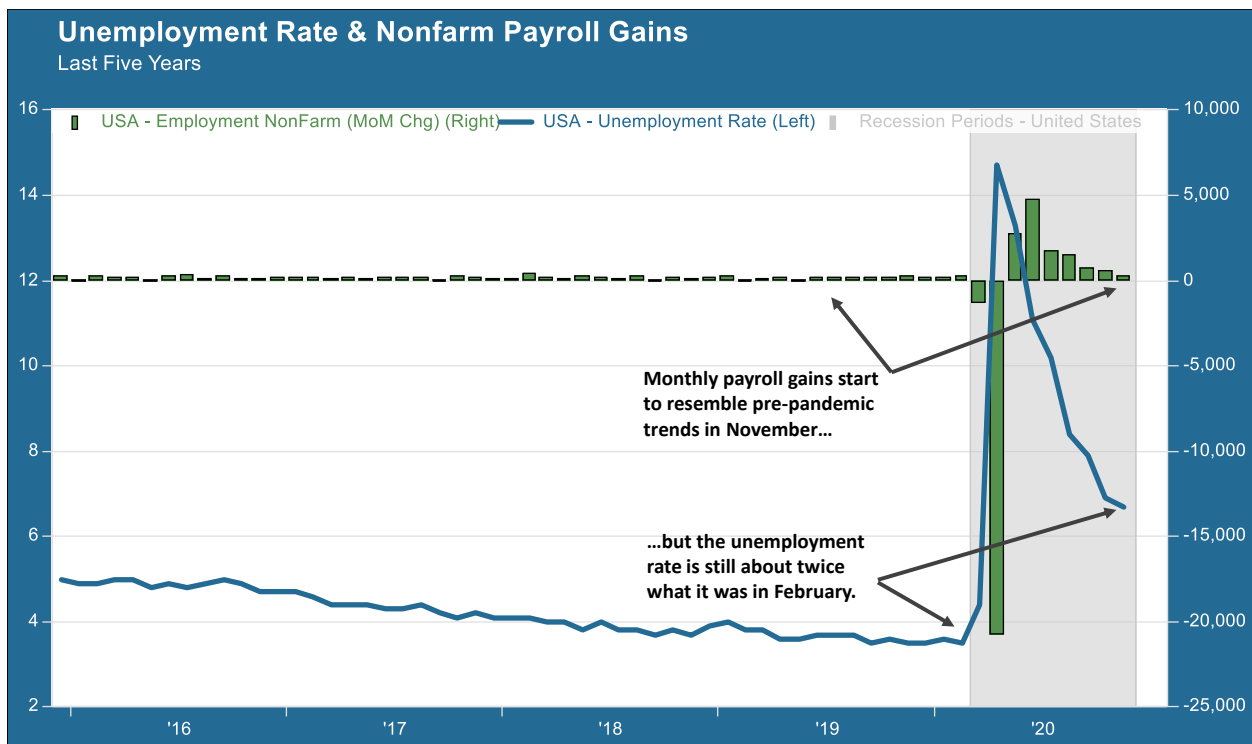
December 4, 2020

The stock market may have closed out an exuberant November this week, with the popular (though not particularly representative) Dow Jones Industrial Average having its best month since 1987. Outside the “this is fine!” investor playground, though, the pandemic continues to exert its brutal impact on real-world communities across the country. Hospitalization rates are at record levels, spare beds are almost nowhere to be found and the raw number of new deaths per day has climbed back to levels last seen in April.

While markets remain focused on the continuing good news about vaccines, the reality of a full-on return to normal in a post-vaccine world remains months away. According to an interactive feature in today’s New York Times, if you are a healthy individual between ages 40 and 60 living in Montgomery County Maryland, and are not deemed an “essential worker” in health care or a related field, there are apparently 268 million Americans ahead of you in the line for a vaccine. Prepare to wait awhile.

#### A Non-Normal Normal

The challenges we face as a country and as an economy in the coming months are illustrated in the monthly jobs report issued by the Bureau of Labor Statistics today. The chart below shows the number of monthly payroll additions (or subtractions) together with the headline unemployment rate, for the past five years.



Source: MVF Research, FactSet

There is something both normal and non-normal about the November data. First the normal: for the first time since the pandemic, the number of payroll additions resembles the pre-Covid trend. You can see that

the green column representing 245,000 payroll gains in November is roughly the same size as it was in a number of the monthly releases back in the period from 2016 to February 2020. The pandemic has had such a distorting effect on macroeconomic data that it is almost a relief to see a number bearing some resemblance to data from the Before Times.

Almost a relief, but not quite. The other figure on the chart is the unemployment rate, represented by the blue line. That line has also come down from the peak back in April. But at 6.7 percent it is still nearly twice what the unemployment rate was in February. Officially, according to the BLS, there are still more than 10 million unemployed Americans (and that number can be considerably higher when you consider factors not included in that headline number).

So a “normal” trend line for monthly payroll gains is actually not good news when you take into account how much farther we have to go before the labor market gets back to pre-pandemic levels of health. It’s going to take more than organic growth trends in the coming months – it is going to take concreted action on the part of our political leaders. If ever there were a time for a pragmatic, moderate political mindset then this would be that time.

### Enter the Moderates

On Tuesday this week we got a taste of what pragmatic politics may look like. A bipartisan group of senators led by Mark Warner (D-VA) and Susan Collins (R-ME) unveiled a \$908 billion fiscal relief package aimed at extending a bridge of support for small and mid-sized businesses along with enhanced unemployment benefits. While the overall amount of funding is less than some of the proposals that were circulating earlier in the fall, it is nonetheless a serious package. The initial optics from both Republican and Democratic leadership corners were rather muted towards the proposal, but in the days since it appears that, if nothing else, at least Speaker Pelosi and Leader McConnell are having conversations with each other centered around this bipartisan action.

The plan may ultimately come to nothing. Toxic partisan performance art has been the defining feature of the federal political landscape for a very long time now, and it’s not hard to make a convincing argument that the most rabid voices of the Twittersphere continue to set the agenda. But there is also a convincing argument to make that if enough moderate support for practical solutions to the most pressing crisis of our time can gain ground, we might see a more durable bridge across the brutally harsh months that lie between today and a world where the vaccine has scaled out to the entire country. We may yet be able to prove that we still know how to get things done when it counts.

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