

Issue 31

## FORWARD LOOKING STOCK MARKET

Stocks opened the week down, then the S&P 500 hit its 30<sup>th</sup> high for the year. The U.S. dollar continued to weaken, as the market looked beyond a vaccine-driven global recovery. Tesla said it would sell \$5 billion new shares, the second time since September, and the shares sold off. Stocks flagged as the relief bill stalled and unemployment benefits rose. For the week, the S&P 500 lost 1% to 3663.46, for its first negative week in three. The Dow Jones Industrial Average shed 0.57%, to 30,046.37, also its first negative week in in three and the Nasdaq Composite lost nearly 0.7%, to 12,377.87 for its first negative week in four.

It was already a great year for IPOs, but this past week took things to an entirely new level. DoorDash (DASH) and Airbnb (ABNB) started the week as private companies last valued at a combined \$34 billion. They ended the week as public companies together worth nearly \$170 billion. The initial public offerings capture how Covid-19 has fundamentally shifted the economy – and the financial markets. Wall Street still has no great ability – or desire – to price new issues which means that IPOs remain a wealth transfer from issuers to institutions. For DoorDash, the original price was pegged at \$75 to \$85 a share. The IPO priced at \$102 and opened at \$182. That gave DoorDash a value of \$70 billion, generating \$30 billion for IPO investors. For Airbnb, the original range was \$44 to \$50 a share. The stock priced at \$68 and opened at \$142. Airbnb finished its first trading day at \$144.71, valuing the company at \$100 billion. DoorDash and Airbnb used a new modified auction process intended to eliminate a big first-day stock pop, however, it clearly failed.

The Electoral College is voting today to cement President-elect Joe Biden’s victory over President Donald Trump in this year’s presidential election. The ballots are being cash throughout the day by individual electors in all 50 states and the District of Columbia, and they mirror their state’s popular vote. The Electoral College vote is typically a formality, occurring more than a month after Election Day votes are cast. But Trump’s unprecedented legal and legislative efforts to overturn the election results this year have imparted a greater significance upon the proceedings. The president, his campaign and his political allies have filed dozens of lawsuits since Election Day, asking federal and state courts to nullify the election results based on myriad unsubstantiated claims of irregularities. Once electors have formally recorded their votes for president and vice president, the next major event in the Electoral College process is a joint session of Congress on Jan. 6, during which both chambers will officially count the electoral votes. Ever since Election Day, Biden and Vice President-elect Kamala Harris have largely tried to stay above the fray of Trump’s increasingly desperate campaign to overturn the results. While a small team of Biden campaign lawyers monitors Trump’s lawsuits, the former vice president is charging ahead with a formal transition process, announcing his



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## MARKET SUMMARIES

(at Friday's close)

S&P/TSX Composite **down 0.25%** at 17,548.92 (up 2.85% ytd)

S&P/TSX Venture **up 0.64%** at 780.30 (up 35.11% ytd)

S&P 500 **down 0.13%** at 3,663.46 (up 13.39% ytd)

Dow Jones Industrial Avg. **up 0.16%** at 30,046.37 (up 5.28% ytd)

Nasdaq Composite **down 0.23%** at 12,377.87 (up 37.95% ytd)

## Metals

Gold: \$1846

Silver: \$23.98

Copper \$3.52

## Energy

Brent Crude Oil: \$50.07

WTI Crude Oil: \$46.78

Natural Gas (\$US/MMBTU): \$2.59



nominees for his incoming Cabinet and laying out a plan to aggressively combat the coronavirus pandemic during his first 100 days in office. Biden and Harris are set to be sworn into office as president and vice president of the United States on Jan. 20, Inauguration Day.

Congress faces more pressure than ever this week to pass another coronavirus relief bill. Congressional leaders aim to approve both pandemic aid and a spending package before government funding lapses Saturday. Republicans and Democrats still need to strike a deal on both fronts with only days to spare before millions would face eviction or the loss of unemployment benefits. A bipartisan group hopes to spur movement toward legislation that can get through the GOP-controlled Senate and Democratic-held House. Lawmakers from both chambers plan to release a \$908 billion rescue bill today. In one sign of efforts to find consensus, House Speaker Nancy Pelosi, D-Calif., and Treasury Secretary Steven Mnuchin spoke for about 30 minutes on Sunday about spending and stimulus. The pair plans to talk again Monday, according to Pelosi's spokesman, Drew Hammill. Congress faces a challenge in trying to resolve several sticking points before Friday. The parties have failed to settle disputes over proposals to give businesses immunity from coronavirus-related lawsuits and send aid to cash-crunched state and local governments. Sens. Bernie Sanders, I-Vt., and Josh Hawley, R-Mo., have threatened to delay passage of a bill if it does not include another direct payment to Americans. The bipartisan proposal does not include a second \$1,200 check. McConnell has urged Congress to pass a package without either provision and then address them in another bill after President-elect Joe Biden takes office on Jan. 20. Democrats have insisted on including new money for state and local governments now.

## WHAT'S AHEAD

Stock prices have reached what looks like a permanently high plateau. Despite the Covid-19 pandemic entering a more dangerous phase, with Washington still arguing over economic stimulus legislation, the S&P 500 index is trading near its highest levels ever. The options market's fear gauge, the Cboe Volatility index (VIX), is around 23, suggesting that the market is confident about the near-term future. The widespread embrace of risk might seem surprising, but unlike those pleasant days before the crash, policy makers have the benefit of history. The Federal Reserve's monetary policy is designed to support banks, inflate stock prices, and suppress options volatility. Hence, we can assert with confidence that stocks will almost always go higher and higher for the foreseeable future. Should monetary policy have its limits because, say, interest rates are near zero, Congress will help stocks. The government's fiscal policy, especially when faced with the Covid-19 pandemic weakness, might be designed to stimulate the economy, but it really helps stock prices the most. The stock market, as we all know, is a discounting mechanism. It cares about what happens in the future – not the past. We know the future holds a Covid-19 vaccine, and thus we will soon be living and investing in the best of all possible worlds. Covid-19 may be morphing into an even more dangerous crisis, but this is a great time for stocks.

In spite of Tesla joining the S&P 500 index next week and being the most valuable company to ever be added to the widely followed index, our quote of the week is from the founder of it all, Elon Musk.

**"When something is important enough, you do it even if the odds are not in your favor."**

## FINANCIAL PLANNING TIP OF THE WEEK

**The three types of Permanent Insurance you can purchase:**

- **Whole Life** - Provides coverage for the entire lifetime of the life insured, with a premium that typically remains level over the duration of the contract. A whole life policy builds up a cash surrender value (CSV) over time, and if the policyholder surrenders the policy prior to the death of the life insured, he may be entitled to receive payment of that CSV, less any surrender charges if applicable.



- **Term-100 (T-100)** – Term – 100 (T-100) life insurance also provides coverage for the entire lifetime of the life insured, but the policy matures at age 100, such that premiums are no longer payable. T-100 policies typically do not have a CSV.
- **Universal Life** – Universal life (UL) insurance provides coverage for the entire lifetime of the life insured, but it also includes a savings component that is created through the deposit of excess premiums. Within certain limits, the policy holder can use a UL policy to accumulate savings that are completely sheltered from tax if they form part of the death benefit, or tax deferred if they are withdrawn prior to death. UL insurance policies are noted for the flexibility they provide to the policyholder.

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