

Market Week: January 25, 2021



The Markets (as of market close January 22, 2021)

The markets were closed last Monday in observance of Martin Luther King, Jr., Day. However, stocks enjoyed a good start to the week last Tuesday as equities rebounded from the prior Friday's sell-off. Investors were encouraged by Treasury Secretary nominee Janet Yellen, who pushed for more stimulus during her confirmation hearing. By the close of trading, tech stocks and small caps flourished, driving the Nasdaq (1.5%) and the Russell 2000 (1.3%) higher. The S&P 500 climbed 0.8% on the day, followed by the Global Dow (0.5%) and the Dow (0.4%). Treasury yields fell along with the dollar, while crude oil prices advanced. Energy, communication services, and information technology led the market sectors.

Stocks rose to record highs last Wednesday on hopes of more stimulus and COVID vaccine availability following the inauguration of Joe Biden as the 46th president of the United States. Nearly all of the market sectors gained, with communication services, consumer discretionary, and information technology all climbing more than 2.0%. Among the market indexes, the Nasdaq and the S&P 500 led the way, gaining 2.0% and 1.4%, respectively. The Global Dow advanced 0.7%, followed by the Dow at 0.8%, and the Russell 2000, which rose 0.4%. The yield on 10-year Treasuries slid, as did the dollar, while crude oil prices advanced 0.6%.

Tech shares drove the Nasdaq higher last Thursday on a day that otherwise saw mixed market results. The S&P 500 eked out a minimal gain, while the Dow, the Russell 2000, and the Global Dow each lost value. Treasury yields advanced, while crude oil prices and the dollar dropped. Performance among the sectors was mixed, with energy falling nearly 3.5%.

Last Friday was another day of mixed trading on the market. The Russell 2000 climbed 1.3% and the Nasdaq ticked up 0.1%. The Global Dow (-0.9%), the Dow (-0.6%), and the S&P 500 (-0.3%) all lost value. Treasury yields and crude oil prices plunged, while the dollar advanced. Only utilities, real estate, and communication services gained ground among the sectors.

Inauguration week was a good one for equities. Each of the major indexes posted solid to impressive gains, led by the Nasdaq and followed by the Russell 2000, the S&P 500, and the Dow. The Global Dow changed little from the prior week. The yield on 10-year Treasuries had a bumpy ride during the week, ultimately closing where it began. The dollar and crude oil prices fell last week, while gold prices gained more than 1.5%. Investors may have been a little cautious last week in anticipation of the upcoming Federal Reserve meeting and quarterly earnings reports due for some major corporations.

The national average retail price for regular gasoline was \$2.379 per gallon on January 18, \$0.062 higher than the prior week's price but \$0.158 less than a year ago. The highest regular gas prices on January 18 were in California (\$3.213), New York (\$2.370), and Massachusetts (\$2.334).

Key Dates/Data Releases

1/27: Durable goods orders, FOMC meeting statement

1/28: GDP, international trade in goods, new home sales

1/30: Personal income and outlays

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 1/22	Weekly Change	YTD Change
DJIA	30,606.48	30,814.26	30,996.98	0.59%	1.28%
Nasdaq	12,888.28	12,998.50	13,543.06	4.19%	5.08%
S&P 500	3,756.07	3,768.25	3,841.47	1.94%	2.27%
Russell 2000	1,974.86	2,123.20	2,168.76	2.15%	9.82%
Global Dow	3,487.52	3,599.13	3,598.29	-0.02%	3.18%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.09%	1.09%	0 bps	18 bps
US Dollar-DXY	89.84	90.78	90.22	-0.62%	0.42%
Crude Oil-CL=F	\$48.52	\$52.17	\$52.09	-0.15%	7.36%
Gold-GC=F	\$1,893.10	\$1,825.90	\$1,853.50	1.51%	-2.09%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The housing sector looks to have rebounded in December from the prior month. The number of building permits issued advanced 4.5% last month and is 17.3% above the December 2019 rate. Permits issued for single-family construction were 7.8% higher in December than in November. The number of housing starts in December was 5.8% above the November total. Single-family housing starts increased by 12.0%. Housing completions last month were 15.9% above the prior month's estimate. The number of single-family housing completions was 10.2% above the November total.
- According to the National Association of Realtors®, existing-home sales rose 0.7% in December and increased 22.2% in 2020, reaching the highest number of total sales since 2006. The median existing-home price for all housing types in December was \$309,800 (\$310,800 in November), up 12.9% from December 2019. Total housing inventory at the end of December sat at a supply of only of 1.9 months at the current sales pace, an all-time low. Seventy percent of the homes sold in December were on the market for less than a month. Sales of existing single-family homes also rose 0.7% last month and are up 22.8% from December 2019. The median existing single-family home price was \$314,300, down from November's median price of \$315,500.
- For the week ended January 16, there were 900,000 new claims for unemployment insurance, a decrease of 26,000 from the previous week's level, which was revised down by 39,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.6% for the week ended January 9, unchanged from the prior week's revised rate. For comparison, during the same period last year, there were 220,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended January 9 was 5,054,000, a decrease of 127,000 from the prior week's level, which was revised down by 90,000. States and territories with the highest insured unemployment rates in the week ended January 2 were in Kansas (7.5%), Pennsylvania (7.2%), Alaska (6.6%), Illinois (6.1%), Nevada (5.9%), California (5.8%), Puerto Rico (5.8%), New Mexico (5.7%), Colorado (5.6%), and Minnesota (5.5%). The largest increases in initial claims for the week ended January 9 were in Illinois (+49,557), Kansas (+22,128), California (+21,636), Texas (+18,732), and New York (+16,204), while the largest decreases were in Colorado (-10,996), Michigan (-5,802), Kentucky (-5,542), Louisiana (-4,868), and Washington (-2,573).

Eye on the Week Ahead

This week is a busy one for economic reports. The first estimate of the fourth-quarter gross domestic product is available this week. The GDP increased at an annual rate of 33.4% in the third quarter. The December report on durable goods orders is also out this week. New orders for long-lasting goods rose by 0.9% in November. The Federal Open Market Committee meets this week. Based on statements from the chairman and other FOMC members, interest rates and quantitative easing are expected to remain unchanged. The December report on personal income and outlays is also released this week. Personal income dropped 1.1% in November, while consumer prices were unchanged from the month before, indicating that inflationary pressures remained muted.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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