Market Insights - January 8, 2021

STOCKS CONTINUE 2020 RALLY TO HIT NEW HIGHS AS SMALL-CAPS AND VALUE NAMES OUTSHINE THE LARGER-CAPS AND GROWTH NAMES

- The amazing record-setting rally that closed out 2020 carried into the beginning of 2021 as the major U.S. equity indices closed at new record highs
- The smaller-cap Russell 2000 was the clear winner, with a stunning 5.9% gain on the week, followed by the 2.4% jump for NASDAQ, the 1.8% increase for the S&P 500 and the 1.6% move for the DJIA
- The developed, international markets, as represented by the MSCI EAFE Index, turned in a great week too, moving up over 3% to start the new year
- Although purely psychological, the major U.S. indices did crest a few milestones, with the S&P 500 hitting 3,800, NASDAQ reaching 13,000, the DJIA cresting 31,000 and even the Russell 2000 briefly hitting 2,100
- Most of the news continued to be focused on the same headwinds from 2020: COVID and the 2020 elections and this week was no different
- There was some very positive manufacturing news reported and expectations for another stimulus package gained traction after Democrats won both Senate seats from Georgia, giving them control of Congress and the Office of the President
- Of the 11 S&P 500 sectors, there were some big moves, with the Energy sector leaping 9.3% as the price of oil jumped almost $4 to $52.25/barrel after Saudi Arabia agreed to cut 1 million barrels/day in the next two months
- Other sectors that did well on the week included the Materials sector, which leapt 5.7% and Financials, which jumped 4.7%
- The Real Estate sector had a tough week, dropping 2.6%
- The 10-year Treasury yield rose to 1.11% on the week

Weekly Market Update – January 8, 2021

	Close	Week	YTD
DJIA	31,098	1.6%	1.6%
S&P 500	3,825	1.8%	1.8%
NASDAQ	13,202	2.4%	2.4%
Russell 2000	2,092	5.9%	5.9%
MSCI EAFE	2,215	3.2%	3.2%
Bond Index*	2,384.74	-0.30%	-0.30%
10-Year Treasury	1.11%	0.11%	0.11%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

Stocks Start the New Year With a Bang

Wall Street shrugged off one of the more stressful weeks ever witnessed in Washington D.C. this week on the way to new record highs. The extraordinary assault on our U.S. Capitol didn't flummox the markets much, although the Volatility Index did spike briefly. But in what was seen as a continuation of the end of 2020, it was the small-caps that outshined the larger-caps by quite a bit and the value names that outpaced the growth names too.

The Energy sector was the big winner on the week, leaping almost 10% and driving the price of oil up by $4/barrel after Saudi Arabia announced that it was cutting production by 1 million barrels/day.

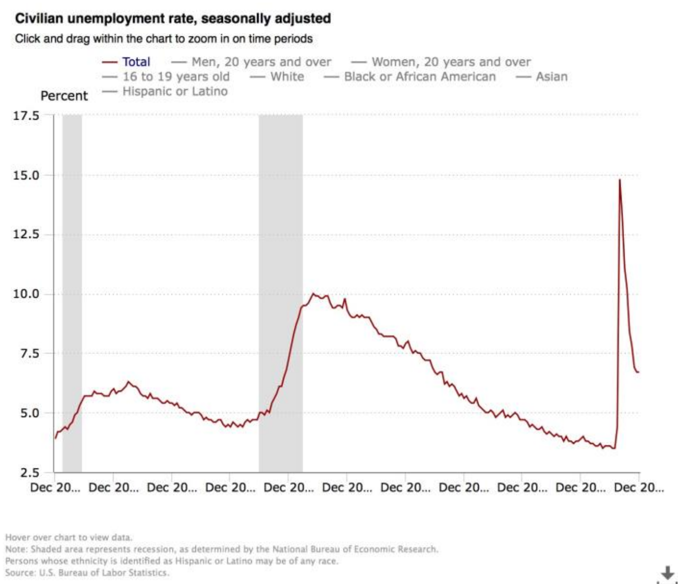
To many, expectations for another fiscal COVID-relief stimulus package out of Washington seemed to drive sentiment, although there are some that are sounding inflationary bells at the prospects of more stimulus.

In terms of positive economic data this week, the Institute for Supply Management revealed that U.S. manufacturing activity in December rose to its highest level since August 2018. And in terms of negative economic data this week, the job market took a hit, with nonfarm payrolls falling by 140,000 in December, the first monthly decline since April.

Payrolls Decline

On Friday, the U.S. Bureau of Labor Statistics reported that total nonfarm payroll employment declined by 140,000 in December and the unemployment rate remained unchanged at 6.7%.

"The decline in payroll employment reflects the recent increase in coronavirus (COVID-19) cases and efforts to contain the pandemic. In December, job losses in leisure and hospitality and in private education were partially offset by gains in professional and business services,retail trade, and construction."



Further, it was reported that: "in December, both the unemployment rate, at 6.7%, and the number of unemployed persons, at 10.7 million, were unchanged. Although both measures are much lower than their April highs, they are nearly twice their pre-pandemic levels in February (3.5% and 5.7 million, respectively)."

Manufacturing Sector Grew in December

"Economic activity in the manufacturing sector grew in December, with the overall economy notching an eighth consecutive month of growth" says the Manufacturing ISM *Report On Business*. From the press release:

- The December Manufacturing PMI registered 60.7 percent, up 3.2 percentage points from the November reading of 57.5 percent. This figure indicates expansion in the overall economy for the eighth month in a row after contracting in March, April, and May, which ended a period of 131 consecutive months of growth.
- The New Orders Index registered 67.9 percent, up 2.8 percentage points from the November reading of 65.1 percent.
- The Production Index registered 64.8 percent, an increase of 4 percentage points compared to the November reading of 60.8 percent.
- The Employment Index returned to expansion territory at 51.5 percent, 3.1 percentage points higher from the November reading of 48.4 percent.

Sources:*bls.gov; ismworld.org; msci.com; factset.com; fidelity.com; Nasdaq.com; wsj.com; Morningstar.com*