

TMB Financial Solutions

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Market Week: December 28, 2020



The Markets (as of market close December 24, 2020)

Stocks rallied by the end of the day last Monday, paring losses from a morning plunge. Strength in bank stocks and financials helped stem the tide as the other major market sectors generally sank. Investors were hit with news that a new strain of the COVID virus was moving rapidly through the United Kingdom, prompting a major sell-off in European stocks. Crude oil prices and Treasury yields fell, while the dollar advanced.

The Nasdaq reached another record high last Tuesday and the Russell 2000 gained 1.0%, but the remaining benchmark indexes ended the day in the red. The Dow closed down 0.7%, the Global Dow dropped 0.4%, and the S&P 500 lost 0.2%. Information technology and real estate were the only sectors to post gains. Similar to the previous day, Treasury yields and crude oil prices decreased, while the dollar rose.

Energy and financials drove the market higher last Wednesday. The S&P 500 ended a three-day losing streak, but just barely, eking out a 0.1% gain. The Global Dow climbed 1.0% after an outline of a post-Brexit trade deal was reached. The Russell 2000 advanced 0.9% and the Dow closed 0.4% higher. The Nasdaq fell 0.3% on the day. Treasury yields and crude oil prices gained, while the dollar fell.

The stock market closed early last Thursday in observance of Friday's holiday. Equities were mixed on the day, with the S&P 500, the Nasdaq, the Dow, and the Global Dow posting gains, while the Russell 2000 lost value. Crude oil prices advanced, while Treasury yields and the dollar dropped. Utilities, real estate, materials, and information technology were the only sectors that gained more than 0.5%.

Christmas week resulted in mixed returns for stocks. The Russell 2000 led the way, followed by the Nasdaq and the Dow. The S&P 500 and the Global Dow dipped. Overall, investors continued to stay with stocks, despite rising COVID-19 cases and stalled developments on the latest stimulus package. The Nasdaq continued to climb past last year's closing mark, trailed by the Russell 2000, the S&P 500, the Global Dow, and the Dow.

Crude oil prices ended the holiday-shortened week lower, closing at \$48.23 per barrel by Thursday afternoon, down from the prior week's price of \$49.05 per barrel. The price of gold (COMEX) closed last week at \$1,883.20, down from the prior week's price of \$1,886.30. The national average retail price for regular gasoline was \$2.224 per gallon on December 21, \$0.066 higher than the prior week's price but \$0.308 less than a year ago.

Key Dates/Data Releases

12/30: International trade in goods

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 12/24	Weekly Change	YTD Change
DJIA	28,538.44	30,179.05	30,199.87	0.07%	5.82%
Nasdaq	8,972.60	12,755.64	12,804.73	0.38%	42.71%
S&P 500	3,230.78	3,709.41	3,703.06	-0.17%	14.62%
Russell 2000	1,668.47	1,969.99	2,003.95	1.72%	20.11%
Global Dow	3,251.24	3,479.61	3,447.69	-0.92%	6.04%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.94%	0.92%	-2 bps	-99 bps

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 economy advanced at an annualized rate of 33.4%, according to the third and final estimate for third-quarter gross domestic product. In the second quarter, GDP decreased 31.4%. The increase in third-quarter GDP reflected continued efforts to reopen businesses and resume activities that were postponed or restricted due to COVID-19. The gain in GDP reflected increases in personal consumption expenditures, private inventory investment, exports, nonresidential fixed investment, and residential fixed investment that were partially offset by decreases in federal government spending, state and local government spending, and imports, which are a subtraction in the calculation of GDP. The personal consumption expenditures price index increased 3.7% in the third quarter, in contrast to a decrease of 1.6% in the second quarter. Excluding food and energy prices, the PCE price index increased 3.4%, in contrast to a decrease of 0.8% in the second quarter.
- Inflationary pressures have been nonexistent over the past few months. According to the latest report from the Bureau of Economic Analysis, the personal consumption price index (a measure of inflationary trends relied upon by the Federal Reserve) showed no movement in both October and November. Consumer prices are up only 1.1% over the past 12 months ended in November. Personal income fell 1.1% in November, while disposable (after-tax) personal income dropped 1.2%. Consumer spending, as measured by personal consumption expenditures, also decreased 0.4% in November. The November estimate for personal income and outlays was impacted by the response to the COVID-19 virus. Pandemic-related assistance programs continued to wind down, which affected consumer income and spending to some extent.
- New orders for manufactured durable goods in November increased 0.9%, according to the latest report from the U.S. Census Bureau. This increase, up seven consecutive months, followed a 1.8% October increase. Excluding transportation, new orders increased 0.4%. Excluding defense, new orders increased 0.7%. Transportation equipment, up six of the last seven months, led the increase, climbing 1.9%. Shipments of manufactured durable goods in November, up six of the last seven months, increased 0.3%. This followed a 1.5% October increase. Unfilled orders for manufactured durable goods in November, down eight of the last nine months, decreased 0.1%. This followed a 0.2% October decrease. Inventories of manufactured durable goods in November, up three consecutive months, increased 0.9%. This followed a 0.3% October increase.
- The housing sector slowed in November. Sales of existing homes decreased 2.5% in November, ending a streak of five consecutive monthly increases. Year over year, existing home sales are up 25.8%. The median existing home price in November was \$310,800, 0.7% below October's price but 14.6% ahead of the November 2019 median price. Total housing inventory in November sat at an all-time low of 2.3 months. Sales of existing single-family homes also fell in November, down 2.4% from the previous month's total. The median existing single-family home price was \$315,500 in November, down from \$317,700 in October but up 15.1% from November 2019.
- Sales of new single-family houses in November fell 11.0% but are up 20.8% over the November 2019 pace. The median sales price of new houses sold in November 2020 was \$335,300. The average sales price was \$390,100. There is an inventory supply of 4.1 months at the current sales pace.

- For the week ended December 19, there were 803,000 new claims for unemployment insurance, a decrease of 89,000 from the previous week's level, which was revised up by 7,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.6% for the week ended December 12, a decrease of 0.2 percentage point from the prior week's rate. For comparison, during the same period last year, there were 218,000 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 December 12 was 5,337,000, a decrease of 170,000 from the prior week's level, which was revised down by 1,000. States and territories with the highest insured unemployment rates in the week ended December 5 were in the Virgin Islands (8.3%), Alaska (6.6%), California (6.6%), New Mexico (6.5%), Nevada (6.1%), Hawaii (5.6%), Illinois (5.6%), Pennsylvania (5.4%), Puerto Rico (5.2%), and Kansas (5.0%). The largest increases in initial claims for the week ended December 12 were in Illinois (+30,743), California (+25,664), Kansas (+5,637), Delaware (+2,355), and Ohio (+1,996), while the largest decreases were in Georgia (-9,301), Minnesota (-9,158), Texas (-8,876), Indiana (-7,920), and Wisconsin (-7,038).

Eye on the Week Ahead

The week between Christmas and New Year' Day offers very little in terms of economic reports, with only the international trade in goods report for November available. However, the week will be full of news about the ongoing dissemination of the COVID-19 vaccine and the latest stimulus package passed by Congress last week.

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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