

TMB Financial Solutions

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Market Week: January 19, 2021



The Markets (as of market close January 15, 2021)

Last Monday, the major benchmark indexes pulled back from record highs reached the prior week. Tech stocks took the biggest hit, dragging the Nasdaq down by 1.3%. The S&P 500 lost 0.7%, followed by the Global Dow (-0.5%) and the Dow (-0.3%). The Russell 2000 closed the day where it began. Treasury yields and the dollar pushed higher, while crude oil prices fell marginally. Investors were confronted with several states reporting record-high COVID-19 cases. Growing pandemic worries, plus concerns over inflated stock valuations, drove stocks lower. Among the sectors, energy posted a solid 1.6% gain, followed by health care and financials. The remaining market sectors sank, led by consumer discretionary (-1.9%), communication services (-1.8%), and real estate (-1.7%).

Stocks rebounded last Tuesday, driven higher by a surge in several sectors including energy, consumer discretionary, industrials, materials, and financials. The dollar fell, Treasury yields advanced, and crude oil prices reached an 11-month high. Among the major indexes, the Russell 2000 posted the highest return (1.8%), followed by the Global Dow (0.7%), the Nasdaq (0.3%), the Dow (0.2%), and the S&P 500, which essentially broke even.

Equities were mixed last Wednesday, with the Nasdaq, the S&P 500, and the Global Dow posting modest gains, while the Dow and the Russell 2000 lost value. Utilities, information technology, and real estate outperformed among the sectors. Treasury yields dropped for the first time in several trading sessions. Crude oil prices sank more than half a percent, while the dollar advanced.

Stock returns were mixed last Thursday as the anticipation of additional stimulus was muted by disappointing unemployment figures. The small caps of the Russell 2000 surged by 2.1% and the Global Dow gained 0.5%. Otherwise, the S&P 500 (-0.4%), the Dow (-0.2%), and the Nasdaq (-0.1%) lost value. Yields on 10-year Treasuries climbed by nearly 4.0%, crude oil prices rebounded, and the dollar slipped. Energy advanced by more than 3.0%, far ahead of real estate, industrials, and financials, which were the only other sectors to gain ground.

Bank and energy shares tumbled last Friday, pulling stocks lower on the day. Each of the benchmark indexes listed here lost value, headed by the Russell 2000, which lost 1.5%, followed by the Global Dow (-1.3%), the Nasdaq (-0.9%), the S&P 500 (-0.7%), and the Dow (-0.6%). Demand pushed Treasury bond prices higher, dragging yields lower. Crude oil prices sank 2.6% on the day, while the dollar advanced. Real estate, utilities, health care, and communication services were the only sectors to gain. Energy plunged 4.0%.

For the week, only the small caps of the Russell 2000 posted a gain, as the remaining indexes fell. The yield on 10-year Treasuries ended the week about where it began, while prices for crude oil and gold sank. The dollar gained against a basket of currencies. President-elect Biden rolled out his economic stimulus plan earlier in the week and pledged to step up efforts to increase the availability of COVID vaccines. However, the number of reported virus cases continued to rise, as did the number of unemployment claims. Year to date, each of the benchmarks remained in the black, led by the Russell 2000, followed by the Global Dow, the Nasdaq, the Dow, and the S&P 500.

The national average retail price for regular gasoline was \$2.317 per gallon on January 11, \$0.068 higher than the prior week's price but \$0.253 less than a year ago. The highest regular gas prices on January 11 were in California (\$3.145) and Massachusetts (2.268).

Key Dates/Data Releases

1/21: Housing starts

1/22: Existing home sales

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 1/15	Weekly Change	YTD Change
DJIA	30,606.48	31,097.97	30,814.26	-0.91%	0.68%
Nasdaq	12,888.28	13,201.98	12,998.50	-1.54%	0.86%
S&P 500	3,756.07	3,824.68	3,768.25	-1.48%	0.32%
Russell 2000	1,974.86	2,091.66	2,123.20	1.51%	7.51%
Global Dow	3,487.52	3,614.95	3,599.13	-0.44%	3.20%
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%	1.10%	1.09%	-1 bps	18 bps
US Dollar-DXY	89.84	90.07	90.78	0.79%	1.05%
Crude Oil-CL=F	\$48.52	\$52.73	\$52.17	-1.06%	7.52%
Gold-GC=F	\$1,893.10	\$1,847.00	\$1,825.90	-1.14%	-3.55%

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

- Consumer prices rose 0.4% in December after advancing 0.2% in November, according to the latest information from the Bureau of Labor Statistics. Over the last 12 months, consumer prices have increased 1.4%. More than 60% of the December price increase was attributable to a 10.0% increase in fuel oil prices and an 8.4% jump in gasoline prices. Food prices rose 0.4% in December and are up 3.9% over the last 12 months. New vehicle prices climbed 0.4%, but used car and truck prices dropped 1.2% last month. Prices for apparel increased 1.4% in December, and shelter prices inched up 0.1%.
- Producer prices increased 0.3% in December following a 0.1% rise in November. Producer prices advanced a mere 0.8% in 2020 after climbing 1.4% in 2019. The December price increase was attributable to a rise in prices for goods. Prices for services actually edged down 0.1%. Driving the increase in prices for goods was a 5.5% jump in energy prices, within which gasoline prices surged 16.1%.
- Despite December being the holiday shopping month, sales at the retail level fell 0.7% from the previous month and rose only 0.6% in 2020. Businesses that saw retail sales increase last month include motor vehicle and parts dealers (1.1%); building material and garden equipment and supplies dealers (14.0%); food and beverage stores (11.5%); health and personal care stores (1.7%); sporting goods, hobby, musical instrument, and book stores (5.7%); general merchandise stores (2.7%); and online retailers (22.1%). Businesses that did not fare well in December include furniture and home furniture stores (-5.4%), electronics and appliance stores (-14.6%), gasoline stations (-15.9%), clothing and clothing accessories stores (-26.4%), food services and drinking places (-19.5%), and miscellaneous store retailers (-1.2%).
- Industrial production advanced 1.6% in December, with gains of 0.9% for manufacturing, 1.6% for mining, and 6.2% for utilities. Total industrial production in December was 3.6% lower than it was a year earlier and 3.3% below its pre-pandemic February reading.
- The federal government budget deficit was \$143.6 billion in December. Over the first three months of fiscal year 2021, the deficit sits at \$572.9 billion, nearly 38% higher than the comparable period for fiscal year 2020. In December, government receipts totaled \$346.1 billion and government expenditures reached \$489.7 billion. Compared to fiscal year 2020, total receipts are down by about \$3.0 billion, while outlays are more than \$200.0 billion higher in fiscal year 2021.
- Prices for imports advanced 0.9% in December following a 0.2% increase in November. Fuel import prices rose 7.8%, marking the largest increase since July 2020. Excluding fuel, import prices rose 0.4%. For the 12 months ended in December, import prices fell 0.3%. Export prices increased 1.1% last month following a 0.7% jump in November. The December advance is the largest increase in export prices since June 2020. Agricultural exports rose 0.6% last month, far below the 3.5% increase in November. Nonagricultural export prices rose 1.3% in December, the largest one-month advance since June 2020. Export prices have risen 0.2% since December 2019.
- According to the latest Job Openings and Labor Turnover report from the Bureau of Labor Statistics, the number and rate of job openings were little changed at 6.5 million and 4.4%, respectively, on the last

business day of November. Hires were little changed at 6.0 million, while total separations increased to 5.4 million. Over the year, the number of job openings decreased in a number of industries, with the largest decreases in accommodation and food services; transportation, warehousing, and utilities; and information. The job openings increased in nondurable goods manufacturing and in other services. The number and rate of layoffs and discharges increased to 2.0 million (+295,000) and 1.4%, respectively, in November. Over the 12 months ended in November, hires totaled 70.7 million and separations totaled 75.9 million, yielding a net employment loss of 5.2 million.

- For the week ended January 9, there were 965,000 new claims for unemployment insurance, an increase of 181,000 from the previous week's level, which was revised down by 3,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.7% for the week ended January 2, an increase of 0.2 percentage point from the prior week's rate. For comparison, during the same period last year, there were 207,000 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 2 was 5,271,000, an increase of 199,000 from the prior week's level. States and territories with the highest insured unemployment rates in the week ended December 26 were in Pennsylvania (6.6%), Alaska (6.5%), Kansas (6.4%), New Mexico (5.9%), Illinois (5.6%), Washington (5.6%), Nevada (5.5%), the Virgin Islands (5.3%), Minnesota (5.2%), and California (5.0%). The largest increases in initial claims for the week ended January 2 were in Louisiana (+17,119), Kansas (+15,400), Texas (+14,541), Georgia (+12,498), and Washington (+10,950), while the largest decreases were in Illinois (-65,099), California (-7,743), Maryland (-2,088), and Florida (-1,836).

Eye on the Week Ahead

This week will be a memorable one with the inauguration of President-elect Joe Biden. This week also includes important information on the housing sector. The December report on housing starts is available this week. November saw building permits and housing starts increase, while housing completions fell. Also out this week is the most recent report on existing home sales. In November, sales of existing housing units dropped by 2.5% from the prior month. Sales of single-family existing homes also decreased in November.

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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