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FINANCIAL MARKET UPDATE
1/8/21

THE WEEK IN REVIEW

U.S. equity markets began the first trading week of the new year by pushing to a new all-time high even after a small stumble Friday morning due to weaker-than-expected December payrolls and a report that Senate Democrats may not have enough support for another sweeping stimulus bill. Positive momentum showed signs of faltering early in the week, as investors grappled with fresh lockdowns amid surging coronavirus cases and the uncertainty of Senate elections in Georgia. Despite the chaotic scenes in Washington on Wednesday, markets turned positive half way through the week and climbed to new highs on Thursday after Congress affirmed President-Elect Joe Biden's victory and Democrats were projected to win both of the Georgia Senate runoff elections. Up until this afternoon, many market participants seemed to embrace the idea that a unified Democratic government would significantly increase the chances for the passage of another, potentially multibillion dollar congressional spending package. These developments helped push yields on the U.S. 10-year close to 1.10%, marking their highest levels since mid-March amid expectations for increased government borrowing to fund additional relief and stimulus programs.

In labor market news, the U.S. lost 140,000 jobs in December as a resurgence of COVID-19 cases ended seven months of job growth and weakened the recovery. Restaurants and bars drove the decline by cutting 372,000 jobs last month, according to the Labor Department. The broader category of hospitality and leisure industries also saw losses, while schools and governments cut jobs as the pandemic triggered new restrictions on activity. Jobs gains in most other industries, specifically retailers, were not enough to offset the sharp decline in areas sensitive to the pandemic. The U.S. jobless rate held steady at 6.7%, far below its April peak of 14.8%, but still almost twice its pre-pandemic level.

U.S. factory activity accelerated to its highest level in nearly two and a half years in December, though spikes in new COVID-19 infections caused holdups in supply chains. The Institute for Supply Management (ISM) said its manufacturing index rose to 60.7 in December from 57.5 in the prior month, which marks the seventh consecutive month of growth since the economy reopened last spring. Despite a fresh round of commercial restrictions aimed at slowing the spread of COVID-19, activity in the services sector expanded for the seventh month in a row, as the ISM services index climbed to 57.2 in December, from 55.9 in November.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
IHS Markit U.S. Manufacturing PMI	57.1	53.2	▲
IHS Markit U.S. Services PMI	54.8	54.6	▲
Non-Farm Payrolls (Thousands)	-140	711	▼
Unemployment Rate	6.7%	7.8%	▼
Average Hourly Earnings (Y/Y)	5.1%	4.7%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	31097.97	1.61%	1.61%	8.19%
NASDAQ	13201.98	2.43%	2.43%	44.61%
S&P 500	3824.68	1.83%	1.83%	17.57%
MSCI EAFE	2192.83	2.11%	2.11%	8.10%
Bbg Barclays Aggregate US	2371.90	-0.84%	-0.84%	6.52%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.08%	0.07%	1.53%
10-Year Treasury	1.12%	0.92%	1.87%

REPORTS DUE NEXT WEEK	LATEST
Core Consumer Price Index (Y/Y)	1.6%
JOLTS Job Openings (Millions)	6.652
NFIB Small Business Optimism	101.4
U. of Mich. Consumer Sentiment	80.7

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.