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FINANCIAL MARKET UPDATE
1/15/21

THE WEEK IN REVIEW

The Dow Jones, S&P 500, and Nasdaq finished the week down 0.9%, 1.5%, and 1.5%, respectively, despite Thursday evening's unveiling of the incoming Biden administration's new stimulus plan. The $1.9 trillion-dollar proposal titled the American Rescue Plan calls for $1,400 stimulus checks, increased federal unemployment benefits, and extension of the eviction and foreclosure moratorium until the end of September. Other measures in the package include aiding state and local government, raising the federal minimum wage to $15 per hour, and increasing money for educational institutions. Biden is expected to introduce a second bill in February that will focus on job creation, infrastructure, and climate policy reform.

The energy, real estate and utilities sectors were the top performing S&P 500 groups this week, while technology and communication services were the weakest performers. JPMorgan (JPM) and Citigroup (C) kicked off fourth quarter earnings season this morning by reporting revenue declines and announcing further releases from their loan loss reserves. Shares of JPM and C declined 1.8% and 6.9% respectively on the day. Yields on the U.S. 10-year Treasury note rose early in the week to touch 1.18% Tuesday morning in anticipation of a large Biden relief plan and dovish comments from Federal Reserve Chair Jerome Powell. On Thursday, Powell reiterated the central bank's guidance of no rate hikes unless policymakers observe unwelcome advances in inflation. Weak labor market data and questions about the likelihood of the full scope of the Biden relief plan being implemented pushed 10-year Treasury yields back below 1.10% on Friday.

Initial unemployment claims for the week ending January 9 increased more than expected to reach the highest level since August. New claims of 965,000 were up from the previous week's reading of 784,000. Many economists expect that ongoing labor market stress will continue into January amid coronavirus-related restrictions. The consumer price index (CPI) rose 0.4% last month, its largest gain since August. The cost of gasoline and food jumped 8.4%, and 0.4%, respectively, which accounted for most of the increase. The strong increases in gasoline prices accounted for more than 60% of the rise, as prices rebounded after two straight months of declines. Excluding the volatile food and energy components, the so-called core CPI climbed 0.1% after rising 0.2% in November. In December, U.S. retail sales declined a seasonally adjusted 0.7% for the third straight month, as new coronavirus containment measures undercut spending at restaurants and shopping malls.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Consumer Price Index (Y/Y)	1.4%	1.4%	-
Initial Jobless Claims (Thousands)	965	842	▲
Retail Sales (M/M)	-0.7%	1.7%	▼
U. of Mich. Consumer Sentiment	79.2	81.8	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	30814.26	-0.91%	0.68%	6.15%
NASDAQ	12998.50	-1.54%	0.86%	40.39%
S&P 500	3768.25	-1.48%	0.32%	14.56%
MSCI EAFE	2209.37	-0.26%	2.88%	7.96%
Bbg Barclays Aggregate US	2370.75	0.05%	-0.89%	5.86%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.08%	0.07%	1.56%
10-Year Treasury	1.09%	0.91%	1.78%

REPORTS DUE NEXT WEEK	LATEST
Building Permits (Millions Annualized)	1.635
Existing Home Sales (Millions Annualized)	6.690
Housing Starts (Millions Annualized)	1.547
IHS Markit U.S. Manufacturing PMI	57.1

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