

January 2021 Market Watch

January started strong with the S&P 500 hitting a new all-time high, but the index gave back gains by the end of the month. After the democratic sweep from the Georgia runoff election early in the month, a mob of insurrectionist rioters breached the U.S. Capitol for the first time since the War of 1812. U.S. President Biden's swearing in to office led to hopes for more civility in Washington. Markets rode on vaccine optimism, which quickly took a turn later in the month when distribution constraints, slow rollout, and elevated case counts from new strains increased concerns again.

U.S. economic data was mixed for January. Flash purchasing managers' indices (PMIs) continued to point to expanding economic activity, with the manufacturing index at 59.1 and services at 57.5. December ADP payrolls unexpectedly contracted and dropped 123K versus November's 304K rise given worsening coronavirus trends. Jobless claims remained high.

As expected, the Federal Reserve (Fed) held the benchmark rate near zero this month, and said the pace of economic recovery and employment have moderated. Fourth quarter earnings started with 82% of S&P 500 reported companies' earnings beating consensus, according to FactSet.

All eyes are on regulatory action after a group of heavily shorted stocks rallied strongly from a short squeeze, a rapid increase in the price of a stock.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	1/31/21	1/24/21	% chg*	12/31/20	% chg*	1/31/20	% chg*	% chg*
DJIA	29,982.6	30,997.0	-3.3%	30,606.5	-2.0%	28,256.0	6.1%	-2.0%
S&P 500	3,714.2	3,841.5	-3.3%	3,756.1	-1.1%	3,225.5	15.2%	-1.1%
NYSE Comp Index	14,397.2	14,951.8	-3.7%	14,524.8	-0.9%	13,614.1	5.8%	-0.9%
NASDAQ Composite	13,070.7	13,543.1	-3.5%	12,888.3	1.4%	9,150.9	42.8%	1.4%
Russell 2000	2,073.6	2,168.8	-4.4%	1,974.9	5.0%	1,614.1	28.5%	5.0%
MSCI EM (Emerging Markets)	1,329.6	1,392.9	-4.5%	1,291.3	3.0%	1,062.3	25.2%	3.0%
MSCI EAFE	2,124.0	2,200.0	-3.5%	2,147.5	-1.1%	1,993.7	6.5%	-1.1%
Japan Nikkei 225	27,663.4	28,631.5	-3.4%	27,444.2	0.8%	23,205.2	19.2%	0.8%
FTSE 100	6,407.5	6,695.1	-4.3%	6,460.5	-0.8%	7,286.0	-12.1%	-0.8%
SSE Comp Index	3,483.1	3,606.7	-3.4%	3,473.1	0.3%	2,976.5	17.0%	0.3%

US Equity Sector Performance

	Jan	YTD	1 Yr Ret.
Consumer Discretionary	0.4%	0.4%	33.0%
Consumer Staples	-5.2%	-5.2%	4.6%
Energy	3.8%	3.8%	-22.6%
Financials	-1.7%	-1.7%	-0.8%
Health Care	1.4%	1.4%	18.3%
Industrials	-4.3%	-4.3%	6.8%
Information Tech	-0.9%	-0.9%	37.1%
Materials	-2.4%	-2.4%	25.6%
Communication Services	-1.3%	-1.3%	20.9%
Utilities	-0.9%	-0.9%	-6.6%
Real Estate	0.6%	0.6%	-3.1%

US Equity Style Performance

	Jan	YTD	1 Yr Ret.
Dow Jones Utilities	-1.4%	-1.4%	-9.2%
DJ TRANS Avg.	-3.3%	-3.3%	16.2%
Russell 1000 Value	-0.9%	-0.9%	4.1%
Russell 1000 Growth	-0.7%	-0.7%	34.5%
Russell 2000 Value	5.3%	5.3%	16.4%
Russell 2000 Growth	4.8%	4.8%	42.7%

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Bond Markets (%)

Major U.S. domestic equity indices all closed lower this month. From a sector standpoint, Consumer Staples (-5.2%), Industrials (-4.3%), and Materials (-2.4%) led the laggards, while Energy (+3.8%) and Health Care (+1.4%) led the gainers.

Developed International Equities (MSCI EAFE) closed down -1.1% while Emerging Market (MSCI EM) outperformed +3.0%. Concerns of a U.K. variant of the coronavirus causing a spike in infections and delays of the supply of vaccines to Europe were offset by positive news from both the Novavax and Johnson & Johnson vaccine trials. China's economic growth kept accelerating in 4Q2020. China will likely be the only large economy to achieve positive GDP growth in 2020. The IMF raised its global growth forecast for 2021 to 5.5% on vaccine optimism.

U.S. government debt yields moved modestly higher. Early in the month, prior to the new U.S. President's inauguration, the 10-Year yields push above 1% for first time since March, closing the month at 1.09%. The 2-Year note stayed flat at 0.12%.

The Bloomberg Commodity Index gained +2.6% in the month. WTI Crude oil remained above the \$50 levels and closed the month up +7.6%, despite OPEC talks stalemate early in the month and the Biden administration unveiling climate policy that included restrictions on oil and gas drilling on public lands. Gold was down -2.4%.

	1/31/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.06	0.08	1.54
US Benchmark Bond – 6 Mth	0.08	0.09	1.53
US Benchmark Bond – 2 Yr	0.12	0.12	1.32
US Benchmark Bond – 5 Yr	0.44	0.36	1.32
US Benchmark Bond – 10 Yr	1.09	0.92	1.52
US Benchmark Bond – 30 Yr	1.85	1.65	2.01

US Bond Sector Performance

	Jan	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.24%	-0.24%	4.02%

Exchange Rates (per US dollar)

	1/31/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.277	1.274	1.323
Mexican Peso	20.224	19.926	18.918
Euro	0.823	0.817	0.902
British Pound	0.728	0.732	0.759
Swiss Franc	0.890	0.884	0.964
Chinese Yuan	6.461	6.540	6.930
Indian Rupee	72.960	73.068	71.358
Japanese Yen	104.695	103.245	108.385

Commodities (In US dollars)

	1/31/21	1 Mth Ago	1 Yr Ago
Gold	1,850.30	1,895.10	1,587.90
Crude Oil	52.20	48.52	51.56
US Dollar Index	90.57	89.89	97.21
Bloomberg Commodity Index	80.10	78.05	74.84

Interest Rates (%)

	1/31/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	4.75
Federal Funds Rate	0.09	0.09	1.60
Libor Rate 30 Day	0.12	0.14	1.66
Libor Rate 3 Months	0.20	0.24	1.75
30yr Fixed Mortgage	2.73	2.66	3.51

Economic Sentiment

	1/31/21	1 Yr Ago
Unemployment Rate	6.70%	3.50%
Average Single Family Home	345,800	303,900
Capacity Utilization	74.50%	76.90%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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