Weekly Update
Recovery Takes a Breather
January 29, 2021

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The Economy

- U.S. economic growth plummeted in the fourth quarter to a 4.0% annualized rate from a record-high rate of 33.4% in the prior three-month period—primarily due to a dramatic decline in consumer spending (which drives about two-thirds of U.S. economic activity). Surging business spending and investments kept economic activity afloat during the quarter.
- Demand for durable-goods orders advanced for the eighth consecutive month in December, but at the softest rate since August, slowing to 0.2% from 1.2% in the prior month. This highlights the weakening economic recovery as the pandemic surges throughout the US.
- According to the Conference Board, confidence among consumers improved from 88.6 in December to 89.3 in January. While the reading indicates expectations for business conditions to improve in the near term, consumer confidence remained dampened by the country's ever-accelerating rate of COVID-19 cases and the delays in vaccine distribution.
- New-home sales swelled from 829,000 in November to 842,000 in December. First-time homebuyers drove the increase, propelled by a combination of ultra-low mortgage rates and robust demand for single-family homes despite the pandemic.
- The U.S. housing market continued to strengthen in November, by 1.4% for the month and 9.1% year over year, as measured by the S&P CoreLogic Case-Schiller Home Price Index. Record-low mortgage rates have increased purchasing power for homebuyers.
- U.S. economic health improved by 0.3% in December, as measured by the Conference Board's Leading Economic Index (a composite of 10 forward-looking components). Growth is expected to weaken in the months ahead as the pandemic worsens. A leading indicator is defined as an economic factor that changes before the rest of the economy begins to move in a particular direction.
- Initial jobless claims declined during the week ending December 16 by 67,000 to 847,000, yet remained near a historic high due to renewed business restrictions meant to help curb the spread of COVID-19.
- Mortgage-purchase applications fell by 4.0% for the week ending January 22. Refinancing applications sank by 5.0% during the same period. The average interest rate on a 30-year fixed-rate mortgage decreased from 2.77% to 2.73%.
- Retail sales in Japan moderated by 0.3% in December after rising by 0.7% in the prior month. Meanwhile, industrial production in Japan diminished by 1.6% in the same period. The country's economic indicators have generally deteriorated in the last year due to COVID-19-related supply-chain disruptions and waning consumer demand.

Stocks

- Global equity markets closed lower for the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Utilities and consumer staples were the top performers, while materials and energy lagged. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield moved lower to 1.08%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of January 29, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.8%	1.3%	15.7%	654.5
MSCI EAFE ($)	-1.8%	0.6%	8.0%	2159.6
MSCI Emerging Mkts ($)	-3.0%	4.6%	25.9%	1350.6
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-2.9%	-1.6%	4.3%	30105.1
S&P 500 ($)	-3.0%	-0.8%	13.4%	3725.0
NASDAQ ($)	-3.2%	1.7%	41.0%	13112.9
S&P/ TSX Composite (C$)	-2.6%	-0.3%	-0.7%	17373.7
U.K. & European Equities				
FTSE All-Share (£)	-3.8%	-0.9%	-11.3%	3641.9
MSCI Europe ex UK (€)	-1.2%	0.7%	0.3%	1443.3
Asian Equities				
Topix (¥)	-2.6%	0.2%	8.0%	1808.8
Hong Kong Hang Seng ($)	-4.0%	3.9%	6.9%	28283.7
MSCI Asia Pac. Ex-Japan ($)	-3.4%	4.9%	29.7%	694.3
Latin American Equities				
MSCI EMF Latin America ($)	-0.3%	-3.7%	-15.7%	2361.0
Mexican Bolsa (peso)	-3.4%	-2.1%	-3.8%	43147.7
Brazilian Bovespa (real)	-1.7%	-3.0%	-0.1%	115443.0
Commodities ($)				
West Texas Intermediate Spot	-0.1%	7.6%	0.1%	52.2
Gold Spot Price	-0.2%	-2.2%	16.9%	1852.1
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.1%	-0.8%	7.3%	554.2
JPMorgan Emerging Mkt Bond	0.1%	-1.2%	3.0%	922.7
10-Year Yield Change (basis points*)				
US Treasury	0	17	-50	1.08%
UK Gilt	2	13	-22	0.33%
German Bund	-1	5	-11	-0.52%
Japan Govt Bond	1	3	11	0.05%
Canada Govt Bond	5	22	-43	0.90%
Currency Returns**				
US$ per euro	-0.3%	-0.7%	10.0%	1.214
Yen per US$	0.9%	1.4%	-3.9%	104.73
US$ per £	0.1%	0.2%	4.6%	1.370
C$ per US$	0.4%	0.5%	-3.2%	1.278

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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