

Weekly Update

Jobs Just Barely Return to Recovery

February 5, 2021

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New answers.®

The Economy

- The U.S. economy added only 49,000 jobs in January—a disappointing rebound after shedding 227,000 jobs in December. The January reading highlighted a divergence within the U.S. economic recovery: a significant portion of the population remained hurt by a lingering joblessness crisis even as U.S. stocks rose to record-high levels.
- U.S. manufacturing activity remained well into expansion territory in January despite pandemic-related challenges to supply chains, as Markit's manufacturing purchasing managers' index (PMI) increased to 59.2 from 59.1 in December. The Institute for Supply Management (ISM) also reported growth in manufacturing activity during January, but at an easing pace of 58.7 compared to 60.5 in December.
- The U.S. Census Bureau reported a 1.1% gain in new factory orders for December, suggesting ongoing progress for manufacturers despite a resurgence in COVID-19 infection rates.
- Motor-vehicle sales in the U.S. expanded by 16.6 million in January as lower-interest loans fueled demand for new cars.
- Construction spending advanced by 1.0% in December, marking the seventh consecutive monthly gain. Residential expenditures grew by 3.1% during the period, while spending on nonresidential construction slid by 1.7%. Strong demand for new houses is expected to continue to bolster residential construction activity.
- U.S. services activity reached a two-year high in January and registered its eighth consecutive month in expansion territory, as measured by ISM's nonmanufacturing PMI, which rose from 57.7 to 58.7 for the month. Although most services companies continued to proceed with caution amid the pandemic, many added more workers and increased orders for materials.
- Initial jobless claims declined during the week ending December 30 by a better-than-anticipated 33,000 to 779,000, yet remained near historic highs due to renewed business restrictions intended to curb the spread of COVID-19. President Biden's relief package passed in the House this week, putting his administration one step closer to injecting additional fiscal measures into the U.S. economy, including stimulus checks and enhanced compensation.
- Mortgage-purchase applications inched higher by 1.0% for the week ending January 29. Refinancing applications soared by 11.0% during the same period. The average interest rate on a 30-year fixed-rate mortgage was unchanged at 2.73%.
- Household spending in Japan advanced by 0.9% in December; however, the year-over-year reading showed a 0.6% decline. A decrease in Japanese household income put downward pressure on consumer spending habits. The Japanese government extended its state of emergency in 10 areas during the week.

Stocks

- Global equity markets closed higher for the week. Emerging markets led developed markets.
- U.S. equities were in positive territory. Energy and telecommunications were the top performers, while utilities and healthcare lagged. Growth stocks led value, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 1.17%. 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 February 5, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	3.7%	3.2%	15.6%	666.8
MSCI EAFE (\$)	2.0%	0.8%	6.3%	2165.7
MSCI Emerging Mkts (\$)	4.4%	7.5%	25.9%	1387.6
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	3.9%	1.8%	6.0%	31148.2
S&P 500 (\$)	4.6%	3.5%	16.2%	3886.8
NASDAQ (\$)	6.0%	7.5%	44.8%	13856.3
S&P/TSX Composite (C\$)	4.6%	4.0%	2.1%	18135.9
U.K. & European Equities				
FTSE All-Share (£)	1.9%	1.0%	-11.1%	3710.0
MSCI Europe ex UK (€)	3.8%	2.6%	-0.7%	1470.9
Asian Equities				
Topix (¥)	4.5%	4.8%	8.9%	1891.0
Hong Kong Hang Seng (\$)	3.6%	7.6%	6.5%	29288.7
MSCI Asia Pac. Ex-Japan (\$)	4.1%	7.7%	29.2%	713.0
Latin American Equities				
MSCI EMF Latin America (\$)	3.5%	-3.6%	-15.7%	2364.1
Mexican Bolsa (peso)	2.7%	0.2%	-0.8%	44145.7
Brazilian Bovespa (real)	4.5%	1.0%	4.4%	120240.3
Commodities (\$)				
West Texas Intermediate Spot	8.9%	17.2%	11.6%	56.9
Gold Spot Price	-2.2%	-4.4%	15.8%	1811.9
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	-0.8%	-1.7%	7.0%	549.5
JPMorgan Emerging Mkt Bond	0.2%	-1.0%	2.9%	924.5
10-Year Yield Change (basis points*)				
US Treasury	10	25	-48	1.17%
UK Gilt	16	29	-10	0.48%
German Bund	7	12	-8	-0.45%
Japan Govt Bond	1	4	8	0.06%
Canada Govt Bond	11	32	-37	1.00%
Currency Returns**				
US\$ per euro	-0.7%	-1.4%	9.7%	1.205
Yen per US\$	0.7%	2.1%	-4.2%	105.39
US\$ per £	0.2%	0.5%	6.2%	1.374
C\$ per US\$	-0.1%	0.3%	-3.9%	1.276

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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