

*In this week's recap: A rollout for a COVID-19 vaccine led to a positive reaction from the markets; stimulus talks continue.*

# Weekly Economic Update

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*Presented by Mary Ahearn, CFP®, December 21, 2020*

## THE WEEK ON WALL STREET

Stocks climbed higher amid the COVID-19 vaccine rollout and an improving outlook for a fiscal stimulus bill.

The Dow Jones Industrial Average, which has lagged all year, gained 0.44%. The Standard & Poor's 500 picked up 1.25% while the Nasdaq Composite index surged 3.05%. The MSCI EAFE index, which tracks developed overseas stock markets, rose 2.44%.<sup>1,2,3</sup>

## STOCKS CLIMB HIGHER

In a week that celebrated the national rollout of a COVID-19 vaccine, market enthusiasm was tempered by worries of infection caseload and fresh economic lockdowns.

Investors turned their focus to the fiscal stimulus negotiations in Washington, D.C., with the hope that a relief bill may be the bridge that gets the economy over its near-term troubles until vaccine distribution grows more widespread.

These negotiations were not smooth sailing. When a compromise bill appeared to gather support, markets quickly moved higher, with the Dow Jones Industrial Average, S&P 500, and NASDAQ Composite all setting new record high closes on Thursday.<sup>4</sup>

Stocks slipped in the final day of trading as stimulus hopes wavered.

## FED OUTLOOK ON ECONOMY IMPROVES

The Federal Reserve on Wednesday concluded its last meeting of the Federal Open Market Committee for 2020. Fed officials provided more detail for its monthly bond purchase program and reiterated their commitment to a monthly purchase of \$120 billion of Treasury and mortgage-back securities until its inflation and employment goals are met.<sup>5</sup>

The Federal Reserve also raised its outlook on the U.S. economy. It revised its September forecast of a 3.7% decline in GDP in 2020 to a 2.4% decline, and increased its 2021 GDP growth forecast

from 4.0% to 4.2%. It also expects unemployment at 2020 year-end would fall to 6.7%, substantially lower than its earlier estimate of 7.6%.<sup>6</sup>

## FINAL THOUGHTS

Our weekly market commentary will not be published next week. We would like to take this moment to wish you and your family a safe and joyous holiday season.

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### TIP OF THE WEEK



*Dropping a landline and just using your cell phone might save you money each year. For some, it's a difficult legacy item to drop but 2021 might present a great opportunity.*

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Gross Domestic Product (GDP), Consumer Confidence, Existing Home Sales.

**Wednesday:** New Home Sales, Consumer Sentiment.

**Thursday:** Durable Goods Orders, Jobless Claims.

Source: Econoday, December 18, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

## THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

**Tuesday:** Cintas Corporation (CTAS), Carmax, Inc. (KMX).

**Wednesday:** Paychex, Inc. (PAYX).

Source: Zacks, December 18, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

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#### QUOTE OF THE WEEK

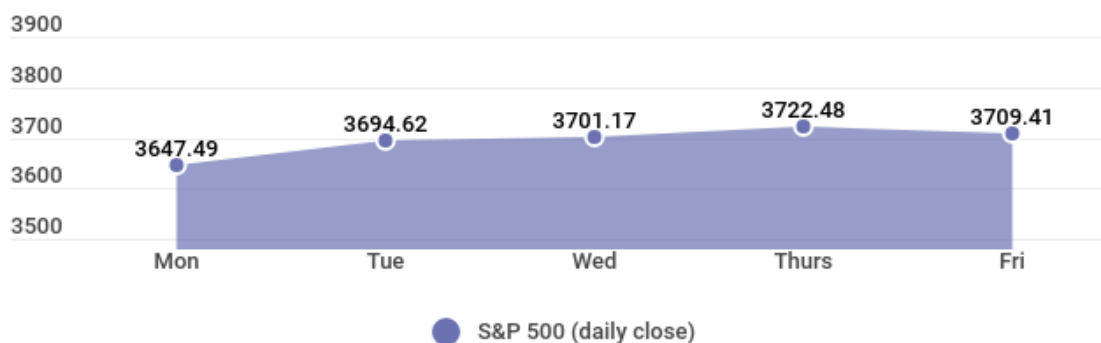


*“Education is not the filling of a pail, but the lighting of a fire.”*

*WILLIAM BUTLER YEATS*

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Market Index	Close	Week	Y-T-D
DJIA	30,179.05	+0.44%	+5.75%
NASDAQ	12,755.64	+3.05%	+42.16%
MSCI-EAFE	2,141.25	+2.44%	+5.12%
S&P 500	3,709.41	+1.25%	+14.81%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.95%	+0.05%	-0.97%

Sources: The Wall Street Journal, December 18, 2020; Treasury.gov, December 18, 2020  
 Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, December 11, to Friday, December 18, close. Weekly performance for the MSCI-EAFE is measured from Friday, December 11, open to the Thursday, December 17, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

### THE WEEKLY RIDDLE



*What number logically comes next in this series:*

2, 3, 5, 9, 17, \_\_\_?

*LAST WEEK'S RIDDLE: At a class reunion, everyone shakes hands exactly once with every person present. That results in a total of 28 handshakes. In total, how many people are at the reunion?*

*ANSWER: 8 persons. ( $8 \times (8 - 1) : 2 = 28$ ) or ( $7 + 6 + 5 + 4 + 3 + 2 + 1 = 28$ ).*

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**Know someone who could use information like this?**

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, December 18, 2020
2. The Wall Street Journal, December 18, 2020
3. The Wall Street Journal, December 18, 2020
4. CNBC, December 17, 2020
5. The Wall Street Journal, December 16, 2020
6. CNBC, December 16,2020