Weekly Update
Stocks Mixed on Stimulus Proposal
January 22, 2021

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The Economy

- U.S. equity markets were mixed during the week ending January 22 as investors digested President Joe Biden's ambitious COVID-19 stimulus plan. Market sentiment waned on expectation that Republican lawmakers will push back on the president's proposed economic-relief program, which caused cyclical stocks (which are largely impacted by macroeconomic changes) to lag.
- Market expectations for a large fiscal relief package, expected to buoy the U.S. economy and reduce unemployment, also drove U.S. Treasury yields higher in recent weeks.
- The outlook for single-family homes continued its descent from a record-breaking 90 in November to 83 in January, primarily on lower sales expectations and higher lumber costs, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Homebuilder confidence also fell due to rising costs and supply-side constraints such as a lack of affordable land.
- Existing-home sales improved from 6.69 million in November to 6.76 million in December, the highest level since 2006. First-time homebuyers drove the increase—propelled by a combination of ultra-low mortgage rates and robust demand for single-family homes despite a global pandemic.
- Preliminary estimates for the January reading of Markit's U.S. purchasing managers' index showed that manufacturing activity remained in expansion territory (above 50), jumping from 56.5 to 59.1. Estimates also showed improvement in services activity, which moved to 57.5 for the month from 55.3 in December.
- Initial jobless claims declined during the week ending December 16 by 26,000 to 900,000, yet remained near a historic high due to renewed business restrictions meant to help curb the spread of COVID-19.
- Mortgage-purchase applications jumped by 3.0% for the week ending January 15 as the pandemic sparked higher demand for large suburban homes. Refinancing applications sank by 5.0% during the same period. The average interest rate on a 30-year fixed-rate mortgage decreased from 2.79% to 2.77%.
- Consumer confidence in the eurozone retreated in January, according to preliminary estimates. Enhanced government-mandated restrictions to battle the pandemic caused economic activity to plummet and fueled concerns of a double-dip recession. Travel, retail and hospitality businesses across Europe have all taken a serious hit.
- Retail sales in the U.K. advanced by an underwhelming 0.3% in December after plunging by 4.1% in November. Economists observed that U.K. consumers staged a weak recovery during the key Christmas shopping season.

Stocks

- Global equity markets closed higher for the week. Emerging markets led developed markets.
- U.S. equities were in positive territory. Telecommunications and information technology were the top performers, while financials and energy lagged. Growth stocks led value, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield was unchanged at 1.09%. Global bond markets were in positive territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of January 22, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.1%	3.6%	16.3%	669.6
MSCI EAFE ($)	1.1%	2.9%	8.5%	2210.0
MSCI Emerging Mkts ($)	3.5%	8.9%	25.3%	1406.1
U.S. & Canadian Equities				
Dow Jones Industrials ($)	0.6%	1.3%	6.3%	30997.0
S&P 500 ($)	1.9%	2.3%	15.5%	3841.5
NASDAQ ($)	4.2%	5.1%	44.0%	13543.1
S&P/ TSX Composite (C$)	-0.4%	2.4%	1.3%	17845.9
U.K. & European Equities				
FTSE All-Share (£)	-0.5%	3.1%	-9.2%	3786.1
MSCI Europe ex UK (€)	0.8%	2.3%	0.9%	1466.5
Asian Equities				
Topix (¥)	0.0%	2.9%	7.3%	1856.6
Hong Kong Hang Seng ($)	3.1%	8.1%	5.5%	29447.9
MSCI Asia Pac. Ex-Japan ($)	4.0%	9.4%	29.4%	724.6
Latin American Equities				
MSCI EMF Latin America ($)	-2.5%	-1.3%	-17.3%	2420.0
Mexican Bolsa (peso)	-2.8%	1.3%	-1.9%	44624.5
Brazilian Bovespa (real)	-2.3%	-1.2%	-1.6%	117591.8
Commodities ($)				
West Texas Intermediate Spot	-0.2%	7.7%	-5.9%	52.3
Gold Spot Price	1.3%	-2.0%	18.4%	1855.8
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	0.2%	-0.7%	8.1%	555.0
JPMorgan Emerging Mkt Bond	0.3%	-1.3%	3.4%	921.3
10-Year Yield Change (basis points*)				
US Treasury	0	17	-65	1.09%
UK Gilt	2	11	-28	0.31%
German Bund	3	6	-21	-0.51%
Japan Govt Bond	1	3	7	0.05%
Canada Govt Bond	3	17	-57	0.84%
Currency Returns**				
US$ per euro	0.7%	-0.4%	10.1%	1.217
Yen per US$	-0.1%	0.5%	-5.2%	103.79
US$ per £	0.7%	0.1%	4.3%	1.369
C$ per US$	0.0%	0.0%	-3.0%	1.273

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.