

At-A-Glance

The S&P 500 ended the month with the largest weekly loss since late October. All three major equity indices fell in excess of 3.2% during the last week in January.

The Dow Industrials shed 623 points (-1.95%) last month, ending January at 29,982 after reaching a new 31,000 milestone high of 31,188 on Inauguration Day (1/20/2021).

The tech-heavy Nasdaq Composite performed best, rallying 1.44% last month, capping a three-month gain of 18.3%.

Among major asset classes since the March 23 bear market low, the S&P 500 has risen 68.4%, the Bloomberg Barclays U.S. Aggregate Bond Index gained 5.6%, and the Bloomberg Commodities Index rose 29.2%.

MONTHLY RECAP

January 2021 Recap

Market Indices ¹	January	Year-to-Date
S&P 500	-1.01%	-1.01%
Russell 3000	-0.44%	-0.44%
Russell 2000	5.03%	5.03%
MSCI EAFE	-1.07%	-1.07%
MSCI Emerging Markets	3.07%	3.07%
Barclays U.S. Aggregate Bond	-0.72%	-0.72%
Barclays U.S. Municipal Bond	0.64%	0.64%
Barclays U.S. Corporate High Yield	0.33%	0.33%

¹Morningstar Direct (all equity performance percentages are total return based, which include reinvested dividends)

U.S. stocks snapped a two-month rally in January with the S&P 500 trimming a combined 15.2% November/December gain by just over one percent. Equities seesawed between bouts of heightened volatility stirred by back-and-forth views on continuing economic recovery, mixed success at launching a national COVID-19 vaccination program and plans for large-scale additional fiscal stimulus amid the strained changeover of White House administrations.

Notably, the S&P 500 erased an earlier strong start to the new year, turning negative year-to-date amid Wall Street's latest challenge found in chaotic impact from online retail investors' bids for heavily shorted stocks. The activity is fueling concerns that institutional hedge funds may reach a point of closing out short-sale positions over mounting losses. The Cboe VIX Volatility Index surged 45.5% in January, up 51% during the final week of the month.

The fourth quarter earnings season is in full swing, with 184 companies within the S&P 500 reporting results. In aggregate through Jan. 31, earnings have surpassed analysts' estimates by 17.4%, led by Financials and Technology, with 81% beating their projections. While consensus forecasts point to a 3-4% contraction in 4Q EPS, final overall results are likely to turn positive. Unusually, 4Q earnings are the first since 2010 where companies reporting double-beats (surpassing revenue and EPS projections) are currently underperforming the S&P 500.

Small and mid cap stocks again outperformed large caps last month. The Russell 2000 small cap-focused index surged 5% in January, more than 3 ½ times better than the Nasdaq Composite. The Russell Mid Cap Index trailed, off 0.26%. As shown below in style box performance, small cap value stocks outperformed most, up 5.3% - whereas small cap growth rose 4.8%. The indices for both large and mid cap growth and value were fractionally negative.

As the second performance table illustrates below, only four of the 11 major S&P 500 equity sectors ended positive last month, led by a near 3.8% gain in Energy, followed by Healthcare and Real Estate. Technology sector companies ended negative in January, down 0.9%.

	January			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	-0.92%	-0.82%	-0.74%	-0.92%	-0.82%	-0.74%
Mid	-0.23%	-0.26%	-0.33%	-0.23%	-0.26%	-0.33%
Small	5.26%	5.03%	4.82%	5.26%	5.03%	4.82%

Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

Top Performers – January	Top Performers – YTD ¹
Energy (+3.79%)	Energy (+3.79%)
Healthcare (+1.42%)	Healthcare (+1.42%)
Real Estate (+0.53%)	Real Estate (+0.53%)
Bottom Performers – January	Bottom Performers – YTD ¹
Materials (-2.38%)	Materials (-2.38%)
Industrials (-4.30%)	Industrials (-4.30%)
Consumer Staples (-5.17%)	Consumer Staples (-5.17%)

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets posted mixed results in January, with EAFE developed markets outside of the U.S. and Canada surpassing American losses by just 0.06%. Emerging markets posted strong 3%-plus gains last month, led by MSCI indices for China (+7.4%) and Taiwan (+6.5%). Globally, the MSCI All-Country World Index slipped 0.45% in January, while the same index excluding the USA rose 0.22%.

Turning to fixed-income markets, interest rates increased sharply in January, driven by expectations for another round of fiscal stimulus after Georgia's runoff elections handed control of the U.S. Senate to the Democrats. The yield on benchmark 10-year notes climbed 17 basis points (+0.17%) last month. Treasuries of all maturities, as measured by the Bloomberg Barclays U.S. Government Index fell 0.92% in January, while the longer-term government bond index slumped 3.56%. Bond prices move in opposite direction to yields, so when bond yields increase, bond prices fall. Investment-grade bonds of all types fell less than 1%. Meanwhile, municipal bonds outperformed, climbing over 0.60%, while higher-risk, non-investment grade high-yield corporate bonds gained half as much, up just over 0.30%.

The Bloomberg Barclays Commodity Index gained 2.6% in January, led by a 7.6% jump in U.S. WTI crude oil futures that ended the month at \$52.20/barrel. In metals, gold futures contracts fell 2.4% while economically sensitive copper rallied 1.3%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](https://twitter.com/CeteraIM) on Twitter.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.