

# Weekly Update

## Stocks Unfazed by Tumult, Set Record High

January 8, 2021

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### The Economy

- Major stock indexes set record highs during the week ending January 8. Investors managed to look past the pro-Trump riot on Capitol Hill, seeming to focus instead on increased stimulus expected under the incoming Biden administration.
- U.S. manufacturing activity remained decidedly in expansion territory in December, with accelerating growth recorded by the manufacturing purchasing managers' indexes (PMIs) of Markit (from 56.7 to 57.1) and the Institute for Supply Management (ISM) (from 57.5 to 60.7) for the month.
- Construction spending advanced by 0.9% in November, marking the reading's sixth consecutive monthly gain. Residential expenditures grew by 5.1% during the period, while spending on nonresidential construction slipped by 0.6%. Healthy demand for new houses is expected to continue to bolster residential construction.
- Motor-vehicle sales expanded by 16.3 million in December; retail buyers' access to lower-interest loans fueled demand for new cars.
- The U.S. Census Bureau reported a 1.0% gain in new factory orders for November, suggesting ongoing progress for manufacturers despite a resurgence in COVID-19 infections.
- U.S. services activity remained in expansion territory for the seventh consecutive month in December, rising to 57.2 from 55.9 in November, as measured by ISM's nonmanufacturing index. Most services companies continued to proceed with caution amid the pandemic.
- The U.S. economy lost 140,000 jobs in December, further indicating that the pandemic largely restrained the labor market. The report highlights a divergence within the economic recovery—showing that a significant portion of the population remains hurt by a lingering joblessness crisis, even as the stock market powers higher to record levels.
- Mortgage-purchase applications fell by 0.8% for the week ending January 1, while refinancing applications contracted by 6.0%. The average interest rate on a 30-year fixed-rate mortgage fell from 2.67% to 2.65%.
- Initial jobless claims decreased by a meager 3,000 to 787,000 during the week ending January 2. New applications for unemployment benefits remained historically high. Overall, the reading suggested that the the pandemic restrained the job market to close 2020.
- Economic sentiment in the eurozone advanced from 87.6 to 90.4 in December, primarily on improved industry and consumer outlook. Meanwhile, retail sales in the eurozone dropped by 6.1% in November as countries reintroduced pandemic restrictions.

### Stocks

- Global equity markets closed higher for the week. Emerging markets led developed markets.
- U.S. equities were in positive territory. Energy and materials were the top performers, while consumer staples and utilities lagged. Value stocks led growth, and small caps beat large caps.

### Bonds

- The 10-year Treasury bond yield moved higher to 1.11%. 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 8, 2021	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indexes</b>				
MSCI ACWI (\$)	1.7%	1.7%	15.2%	657.5
MSCI EAFE (\$)	2.1%	2.1%	7.7%	2192.8
MSCI Emerging Mkts (\$)	2.4%	2.4%	17.1%	1322.3
<b>U.S. &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	1.6%	1.6%	7.4%	31102.2
S&P 500 (\$)	1.7%	1.7%	16.7%	3821.5
NASDAQ (\$)	2.4%	2.4%	43.4%	13198.5
S&P/TSX Composite (C\$)	3.2%	3.2%	4.4%	17992.0
<b>U.K. &amp; European Equities</b>				
FTSE All-Share (£)	5.6%	5.6%	-7.9%	3880.4
MSCI Europe ex UK (€)	1.8%	1.8%	0.3%	1459.0
<b>Asian Equities</b>				
Topix (¥)	2.8%	2.8%	7.3%	1854.9
Hong Kong Hang Seng (\$)	2.4%	2.4%	-2.4%	27878.2
MSCI Asia Pac. Ex-Japan (\$)	2.6%	2.7%	21.2%	679.8
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	2.0%	2.0%	-14.2%	2502.0
Mexican Bolsa (peso)	6.2%	6.2%	5.0%	46787.8
Brazilian Bovespa (real)	5.2%	5.2%	7.9%	125151.3
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	7.7%	7.7%	-12.3%	52.2
Gold Spot Price	-2.9%	-2.7%	19.0%	1844.1
<b>Global Bond Indexes (\$)</b>				
Barclays Global Aggregate (\$)	-0.5%	-0.5%	9.1%	556.2
JPMorgan Emerging Mkt Bond	-1.0%	-1.0%	4.6%	924.7
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	20	20	-75	1.11%
UK Gilt	9	9	-53	0.29%
German Bund	5	5	-34	-0.52%
Japan Govt Bond	1	1	3	0.04%
Canada Govt Bond	13	13	-80	0.81%
<b>Currency Returns**</b>				
US\$ per euro	0.1%	0.1%	10.1%	1.223
Yen per US\$	0.7%	0.7%	-5.1%	103.94
US\$ per £	-0.8%	-0.8%	3.8%	1.357
C\$ per US\$	-0.2%	-0.2%	-2.7%	1.270
<b>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.</b>				

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