

Market Week: February 8, 2021



The Markets (as of market close February 5, 2021)

Stocks had their best day in several weeks last Monday, recovering some of the losses following the prior week's sell-off. Tech stocks and retail shares led both the Nasdaq and the Russell 2000 to gains of 2.5%. The S&P 500 advanced 1.6%, followed by the Dow (0.8%) and the Global Dow (0.7%). The yield on 10-year Treasuries fell 1.5%, while crude oil prices jumped 2.8%. The dollar gained 0.5% on the day. Consumer discretionary, information technology, and real estate were the best-performing sectors.

Stocks pushed higher for the second day in a row last Tuesday. Several companies posted solid fourth-quarter earnings, while the retail-trading frenzy of the past several weeks may have cooled down. Each of the benchmark indexes listed here closed the day ahead, led by solid gains of 1.6% for both the Dow and the Nasdaq, followed by the S&P 500 (1.4%), the Global Dow (1.4%), and the Russell 2000 (1.2%). Crude oil prices continued to climb, gaining more than 2.4%. Treasury yields and the dollar also advanced. Each of the market sectors increased, led by financials, industrials, and consumer discretionary shares.

Equities closed higher for the third consecutive session last Wednesday. The Global Dow posted the largest gain, climbing 0.9%, followed by the Russell 2000, which advanced 0.4%. Both the Dow and the S&P 500 inched up 0.1%. The Nasdaq broke even on the day. Treasury yields climbed higher, as did crude oil prices. The dollar fell less than 0.1 percentage point. Energy stocks were the big movers, gaining 4.3%. Communication services added 2.1%. The remaining sectors were mixed.

Last Thursday's trading led to another solid day for stocks. More strong earnings reports, coupled with a reduction in the number of people claiming unemployment benefits, provided encouragement for investors. Financials, information technology, energy, and industrials were the strongest-performing sectors on the day. Among the benchmark indexes, the Russell 2000 led the way, gaining 2.0%, followed by the Nasdaq (1.2%), the Dow (1.1%), the S&P 500 (1.1%), and the Global Dow (1.0%). Crude oil prices, the dollar, and Treasury yields all advanced.

Stocks finished last week on a high note as each of the indexes posted notable gains last Friday. The Russell 2000 advanced 1.4%, followed by the Global Dow (0.9%), the Nasdaq (0.6%), the S&P 500 (0.4%), and the Dow (0.3%). Materials, communication services, consumer discretionary, and energy led the sectors. The yield on 10-year Treasuries climbed nearly 3.0% last Friday, and crude oil prices increased 1.3%. The dollar fell 0.6% on the day.

By the close of trading last week, each of the benchmark indexes listed here posted solid gains following the previous week's sell-offs. Strong earnings reports, encouraging employment data, and hopes for more economic stimulus bolstered investors' confidence. The Russell 2000 resumed its 2021 surge, gaining 7.7%. The Nasdaq advanced 6.0%, followed by the Global Dow, the S&P 500, and the Dow. Bond prices slid, pushing Treasury yields higher. Crude oil prices continued to climb, increasing by 9.0% on the week. Crude oil prices are already up nearly 17.5% year to date. The dollar crept higher while gold prices continued to fall.

The national average retail price for regular gasoline was \$2.409 per gallon on February 1, \$0.017 higher than the prior week's price but \$0.046 less than a year ago. For the week ended January 29, domestic production of crude oil was 10.9 million barrels per day, the same amount as the previous week but 2.0 million barrels less than a year ago.

Key Dates/Data Releases

2/9: JOLTS

2/10: Consumer Price Index,
Treasury statement

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 2/5	Weekly Change	YTD Change
DJIA	30,606.48	29,982.62	31,148.24	3.89%	1.77%
Nasdaq	12,888.28	13,070.69	13,856.30	6.01%	7.51%
S&P 500	3,756.07	3,714.24	3,886.83	4.65%	3.48%
Russell 2000	1,974.86	2,073.64	2,233.33	7.70%	13.09%
Global Dow	3,487.52	3,455.84	3,626.57	4.94%	3.99%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.09%	1.17%	8 bps	26 bps
US Dollar-DXY	89.84	90.57	91.01	0.49%	1.30%
Crude Oil-CL=F	\$48.52	\$52.17	\$56.97	9.20%	17.42%
Gold-GC=F	\$1,893.10	\$1,847.30	\$1,811.20	-1.95%	-4.33%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- While January's employment figures were better than December's, the labor market continued to reflect the impact of the pandemic. Only 49,000 new jobs were added in January after losing a whopping 227,000 jobs in December. The unemployment rate dropped 0.4 percentage point to 6.3%, and the number of unemployed persons declined by 606,000 to 10.1 million. Although both measures are much lower than their April 2020 highs, they remain well above their pre-pandemic levels in February 2020 of 3.5% and 5.7 million, respectively. January saw 3.5 million people lose their jobs permanently, which is 2.2 million higher than in February 2020. In January, the percentage of employed persons who teleworked because of the pandemic edged down to 23.2%. In January, 14.8 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic — 1.1 million fewer than in December. The employment-population ratio inched ahead 0.1 percentage point to 57.5%, while the labor participation rate dipped 0.1 percentage point to 61.4%. Average hourly earnings increased by \$0.06 to \$29.96. For the 12 months ended in January, average hourly earnings have increased 5.4%. The average work week increased by 0.3 hour to 35.0 hours in January.
- Manufacturing slowed in January, according to the latest Manufacturing ISM® Report On Business®. The January purchasing managers' index fell from 60.5% in December to 58.7% in January. The new orders index dropped 6.4 percentage points last month, the production index declined 4 percentage points, and the exports index dipped 2.6 percentage points. The employment index inched up 0.9 percentage point, the price index rose 4.5 percentage points, and the imports index increased 2.2 percentage points.
- According to the Services ISM® Report On Business®, the services sector expanded in January. The services purchasing managers' index registered 58.7%, 1.0 percentage point higher than the December reading and the highest reading since February 2019. Supplier deliveries, employment, new orders, and imports all advanced last month. Prices, business activity/production, inventories, and exports each slowed in January from their respective December 2020 totals.
- Data on the international trade in goods and services deficit for December 2020 was released on February 5. The trade deficit declined 3.5% to \$66.6 billion. Exports increased 3.4% to \$190.0 billion, and imports advanced 1.5% to \$256.6 billion. For 2020, the goods and services deficit increased \$101.9 billion, or 17.7%, from 2019. Exports decreased \$396.4 billion, or 15.7%. Imports decreased \$294.5 billion, or 9.5%.
- For the week ended January 30, there were 779,000 new claims for unemployment insurance, a decrease of 33,000 from the previous week's level, which was revised down by 35,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.2% for the week ended January 23, a decrease of 0.2 percentage point from the prior week's revised rate. For comparison, during the same period last year, there were 201,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended January 23 was 4,881,750, a decrease of 120,000 from the prior week's level, which was revised up by 3,750. States and territories with the highest insured unemployment rates in the week ended January 16 were in Alaska (6.4%), Pennsylvania (6.4%),

Nevada (6.1%), Illinois (5.7%), Kansas (5.7%), Connecticut (5.4%), New Mexico (5.4%), Rhode Island (5.2%), Massachusetts (5.0%), and New York (4.9%). The largest increases in initial claims for the week ended January 23 were in Florida (+23,592), Ohio (+7,002), New York (+4,065), Maryland (+2,450), and Arizona (+1,028), while the largest decreases were in California (-59,016), Kansas (-8,495), Georgia (-7,896), Pennsylvania (-6,341), and Tennessee (-6,016).

Eye on the Week Ahead

The January edition of the Consumer Price Index is available this week. The index rose 0.4% in December but only 1.4% in 2020, as inflation remained muted. The Treasury budget statement for January is also out this week. The December deficit was \$144 billion, significantly higher than the December 2019 deficit of \$13 billion.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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