

Weekly Market Update (January 11, 2021 – January 15, 2021)

Social media companies ban Trump from their platforms, citing concerns of violence days prior to Biden inauguration.

On **Monday**, major indexes declined due to profit-taking within the technology sector.

The S&P 500 dropped 0.7%. The Nasdaq fell 1.3%, and the Dow Jones declined 0.3%.

The primary reason that had investors pulling their funds from technology stocks, was due to the rising interest rates and ongoing regulatory concerns.

Over the weekend, both Facebook and Twitter restricted President Trump's accounts and as a result, the information technology sectors, communication services and consumer discretionary all declined.

Rising interest rates also affected the performance of the rate-sensitive utilities and real estate sectors however continued hope for an economic recovery helped bolster the financial, cyclical energy and materials sectors.

As a result, the Dow Jones finished close to flatline.

The health care sector also performed positively after Eli Lilly announced strong Phase 2 trial results for the treatment of Alzheimer's disease.

On **Tuesday**, major indexes finished close to even, as the recovering securities outperformed the growth and healthcare sectors. With hopes of a vaccine on the horizon, the small-cap and cyclicals performed well. Accordingly, the financial, energy, material, consumer discretionary, and industrials sectors registered gains of 1% or more. The growth sectors struggled to perform against rising long-term interest rates.

The communication services, information technology and healthcare sectors all declined and as a result, the S&P 500 finished roughly on even, while the Dow Jones added 0.2%. The Nasdaq grew 0.3%.

In commodity news, oil prices fell slightly as traders reduced near-term demand expectations.

On **Wednesday**, there was modest growth with the major indexes. The S&P 500 was up 0.2%, and the Dow Jones finished close to even. The Nasdaq added 0.4%.

The market performed strongly in the morning but pared its gains over the course of the day. Influential sectors such as healthcare, consumer discretionary and technology gained enough to outpace losses in the financial and industrials sectors.

Within the technology sector, Intel posted gains after announcing that their CEO would be replaced by VMWare's current CEO.

The consumer discretionary sector was boosted by Amazon, who re-entered their 50-day moving average.

On **Thursday**, major indexes declined after posting early gains. The S&P 500 dropped 0.4%. The Dow Jones fell 0.2%, and the Nasdaq declined 0.1%.

The technology, consumer discretionary, and communication services sectors all dragged the market down. Microsoft, Visa, Amazon, and Alphabet all struggled to perform in daily trading, however small caps performed well, assisting the Russell 2000 in rising 2.1%.

This afternoon pressure seemed to come after Fed Chairman Powell said that there would not be a rate hike for some time. Following his speech, the energy and industrials sectors were still able to post gains, as these two sectors would benefit from commodity inflation.

On **Friday**, major indexes declined as cyclical securities struggled to perform during trading despite their strong performance throughout the week.

The S&P declined 0.7%. The Nasdaq fell 0.9%, and the Dow Jones dropped 0.6%.

Financials, energy, industrials, and materials were the day's worst performers.

Financials struggled after the market responded negatively to the banks' fourth quarter earnings reports. Physical stimulus and vaccine optimism was not enough to bolster the other cyclical sectors, despite being the driving forces behind cyclical gains earlier in the week.

- **Economic News**

- Job openings declined slightly in November, falling to 6.527 million.
- The Small Business Optimism Index also fell, declining to 95.9 in December.
- Total CPI rose 0.4% m/m in December, showing that inflationary concerns largely remain a nonissue.
- Initial claims for the week ending January 9 hit 965,000, their highest level since August.
- Retail sales for December fell more than expected. Sales declined by 0.7% m/m, compared to the expected increase in 0.1% m/m. Weaker restaurant and internet sales drove down overall sales.

- **Major Corporate News**

- Intel announced that their CEO would be replaced by VMWare's current CEO.
- The week brought about the unofficial start of earnings season, with banking giants JPMorgan Chase, Citigroup, and Wells Fargo reporting fourth-quarter results before the start of trading on Friday. Despite upside earnings surprises, shares in all three fell as trading began, with Wells Fargo leading the declines on a revenue miss.

United States

Late declines leave stocks mixed for the week

The major benchmarks finished the week mixed.

Energy stocks pulled back sharply at the end of the week but led gains within the S&P 500, helped by a surprisingly large drawdown in domestic oil inventories.

Communication services shares underperformed after social media companies Twitter and Facebook announced bans of President Donald Trump and others on their platforms, citing concerns over the incitement of violence.

Information technology shares were also weak, due, in part, to poor performance by payments processors. Small-caps outpaced large-caps, and value shares outperformed growth stocks, helping both building on their leads to start 2021.

The tense political situation seemed to remain a major driver of sentiment during the week. Investors kept a close eye on efforts to quickly remove Trump from the White House, including Democrats' call to invoke the 25th Amendment and the House of Representatives' unprecedented second impeachment of the president on Wednesday. Safety concerns surrounding the upcoming inauguration of President-elect Joe

Biden on January 20 and the resulting deployment of thousands of National Guard troops to Washington, D.C. also dominated headlines.

Biden proposes USD 1.9 trillion stimulus package

On Thursday evening, the incoming president announced his plans for USD 1.9 trillion of stimulus, although it appeared to contain few market-moving surprises. Questions also remained about how quickly the incoming administration could move on the plan and how much Republican opposition would slow or reduce the package. Without sufficient Republican support in the Senate, Democrats will have to rely on the so-called reconciliation process, which places limits on the types of spending that can be increased.

United States Stocks

Index	Friday's Close	Week's Change	% Change YTD
DJIA	30,814.26	-283.71	0.68%
S&P 500	3,768.25	-56.43	0.32%
Nasdaq Composite	12,998.50	-203.48	0.86%
S&P MidCap 400	2,424.24	11.04	5.10%
Russell 2000	2,122.78	31.12	7.33%

Europe

Shares in Europe fell as the resurgence in coronavirus infections dented optimism surrounding plans for further fiscal stimulus in the U.S.

- The Pan-European STOXX Europe 600 Index dropped 0.81%
- Germany's Xetra DAX Index declined 1.86%
- France's CAC 40 lost 1.67%

- Italy's FTSE MIB slipped 1.81%
- UK's FTSE 100 Index slid 2.00%

Core eurozone government bond yields largely fell as political uncertainty erupted in Italy after a political party pulled out of the coalition government. Instability in Italy pushed peripheral eurozone bond yields higher.

Italy's coalition government lost its parliamentary majority when three ministers from former Premier Matteo Renzi's Italia Viva party resigned. Renzi has been a vocal critic of Prime Minister Giuseppe Conte's leadership style and his management of the country's worst recession since World War II. Political analysts said that if Conte cannot form a new majority coalition, a general election would ensue, barely five months after the government took office.

The Dutch coalition government, led by Prime Minister Mark Rutte, resigned over a child-care subsidies scandal. National elections are expected to be held in March.

German gross domestic product contracted by a smaller-than-forecast 5.0% in 2020 as coronavirus restrictions curtailed activity.

A wave of recovery and stimulus measures during the year helped support the economy. Growth probably stagnated in the fourth quarter, the statistics office said.

In November, the UK economy suffered a monthly decline of 2.6%—the first such contraction since a slump in April 2020. The smaller-than-expected decline was led by the services sector, as a new lockdown hit pubs, restaurants, nonessential shops, and other consumer services businesses.

The UK's official data agency said businesses were adjusting better to the lockdown rules and schools had remained open that month. Bank of England Governor Andrew Bailey said it was too soon to say if more stimulus would be needed in the UK after the central bank increased its bond-buying program to almost GBP 900 billion in November.

Japan

Japanese stocks generated mixed performance for the week. The Nikkei 225 Stock Average climbed 1.4% and closed at 28,519.18 recording another multi-decade weekly closing high. The large-cap TOPIX Index was flat, and the TOPIX Small Index declined.

The yen was little changed for the week and closed near JPY 104 versus the U.S. dollar.

Loosened government lending policies and financial support during the pandemic contributed to the lowest number of Japanese corporate bankruptcies in 31 years, according to credit research company Tokyo Shoko Research.

Business failures of companies with at least JPY 10 billion of debt declined to 7,772 in 2020, marking the lowest number of bankruptcies since 1989. However, the number of small and medium sized business (debt below JPY 10 billion) bankruptcies increased, especially in the dining and tourism segments.

The research firm notes that sales have not recovered to pre-pandemic levels, and it expects the number of business failures to increase in 2021.

China



Chinese stocks fell as the U.S. added another nine Chinese companies to its investment blacklist on Thursday, taking the total to 44 names that the Trump administration claims have ties to China's military.

For the week, the country's large-cap CSI 300 Index declined 1.4% and the Shanghai Stock Exchange Composite Index shed 0.6%, according to Reuters.

Shares of Chinese internet leaders Alibaba and Tencent were volatile on reports that they too would be added to the U.S. blacklist, though this had yet to happen by Friday.

Shares of Xiaomi, a well-known domestic consumer electronics and smartphone maker, fell sharply on its unexpected addition to the list.

Banks, however, rose following strong fourth-quarter earnings.

The yield on China's 10-year sovereign bond yield declined and ended the week at 3.15% despite further signs of economic recovery.

The yuan currency ended the week flat against the U.S. dollar at 6.47 per dollar.

Economic Calendar

Time (GMT+2)	Event	Impact
12:00 18.01	EUR Eurogroup Meeting	Medium
09:00 19.01	EUR EcoFin Meeting	Medium
09:00 19.01	EUR Harmonized Index of Consumer Prices (YoY)(Dec)	High
11:00 19.01	EUR ECB Bank Lending Survey	High
12:00 19.01	EUR ZEW Survey – Economic Sentiment (Jan)	Medium
20:00 19.01	GBP BoE's Haldane speech	Medium
15:30 20.01	CNY PBoC Interest Rate Decision	High
09:00 20.01	GBP Consumer Price Index (MoM)(Dec)	Medium
09:00 20.01	GBP Retail Price Index (YoY)(Dec)	Medium
09:00 20.01	GBP Consumer Price Index (YoY)(Dec)	High
09:00 20.01	GBP Core Consumer Price Index (YoY)(Dec)	Medium
09:00 20.01	GBP Retail Price Index (MoM)(Dec)	Medium
12:00 20.01	EUR Consumer Price Index - Core (YoY)(Dec)	Medium
17:00 20.01	CAD BoC Consumer Price Index Core (YoY)(Dec)	High
17:00 20.01	CAD BoC Rate Statement	High
17:00 20.01	CAD Bank of Canada Monetary Policy Report	High
17:00 20.01	CAD BoC Interest Rate Decision	High
02:30 21.01	AUD Unemployment Rate s.a. (Dec)	High
05:00 21.01	JPY BoJ Monetary Policy Statement	High
05:00 21.01	JPY BoJ Interest Rate Decision	High
14:45 21.01	EUR ECB Interest Rate Decision	High
15:30 21.01	USD Building Permits (MoM)(Dec)	Medium
15:30 21.01	USD Housing Starts (MoM)(Dec)	Medium
15:30 21.01	USD Continuing Jobless Claims (Jan 8)	Medium
15:30 21.01	USD Initial Jobless Claims (Jan 15)	Medium

15:30	21.01	EUR	ECB Monetary Policy Statement and Press Conference	High
23:45	21.01	NZD	Consumer Price Index (YoY)(Q4)	High
02:30	22.01	AUD	Retail Sales s.a. (MoM)(Dec) PREL	High
09:00	22.01	GBP	Retail Sales ex-Fuel (MoM)(Dec)	Medium
10:30	22.01	EUR	Markit Manufacturing PMI(Jan) PREL	High
10:30	22.01	EUR	Markit PMI Composite (Jan) PREL	High
11:00	22.01	EUR	Markit PMI Composite (Jan) PREL	High
11:30	22.01	GBP	Markit Services PMI(Jan) PREL	High
15:30	22.01	CAD	Retail Sales (MoM)(Nov)	High

