Weekly Update
Stocks Slump, Unphased by Stimulus Bump
January 15, 2021

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The Economy

- U.S. equities receded during the week ending January 15 after hitting record-highs in the previous week. President-elect Joe Biden's $1.9 trillion stimulus plan, which ordinarily would have boosted markets, had a muted effect as markets already priced in a significant fiscal stimulus, easy monetary policy and optimism about COVID-19 vaccines.
- The number of U.S. job openings (a measure of labor demand) plunged by 105,000 to 6.52 million in November, according to the Department of Labor. Economists warned that widespread restrictions by state and local governments on businesses could severely limit the number of job openings in the months ahead.
- Initial jobless claims increased during the week ending December 12 by 181,000 to 965,000, the highest level of new unemployment claims since August. The reading suggested that jobless claims have worsened—not subsided as expected—as the pandemic weighed on the labor market.
- Retail sales fell by 0.7% in December, marking the second monthly loss in eight months—reflecting a shockingly weak holiday shopping season and signaling waning momentum in the U.S. economic recovery amid a resurgence of coronavirus infections and government-enforced business restrictions. Consumer spending accounts for about 70% of U.S. economic activity.
- Consumer prices gained 0.4% in December, according to the Department of Labor's consumer-price index, with gasoline prices soaring by 8.4% during the month. Inflation is nevertheless expected to remain modest in the near term, even as forecasts call for higher prices on strengthening demand,
- Total import prices expanded by 0.9% in December, the largest increase since August due to higher energy prices and a weaker U.S. dollar. Meanwhile, export prices rose by 1.1% on expanding agricultural and nonagricultural costs.
- Producer prices advanced by 0.3% in December, as measured by the Department of Labor's producer-price index (which tracks the average change in prices that producers receive for goods and services. The gain in producer prices was driven by increases in gas prices and the cost goods. However, inflation is expected to remain subdued in the coming months.
- Industrial production increased for the eighth consecutive month in December, with a 1.6% gain that was fueled by robust rebound in mining production and utility output. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) increased by 1.1% to 74.5%. Manufacturing output gained 0.9% for the month.
- Mortgage-purchase applications jumped by 0.8% for the week ending January 8, while refinancing applications surged by 20.0%. The average interest rate on a 30-year fixed-rate mortgage increased from 2.65% to 2.79%.

Stocks

- Global equity markets closed lower for the week. Emerging markets led developed markets.
- U.S. equities were in negative territory. Energy and utilities were the top performers, while telecommunications and information technology lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved lower to 1.09%. 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 15, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.3%	2.4%	14.7%	661.6
MSCI EAFE ($)	-0.3%	2.9%	7.8%	2209.4
MSCI Emerging Mkts ($)	1.3%	6.2%	20.2%	1370.8
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-0.8%	0.8%	5.3%	30843.0
S&P 500 ($)	-1.3%	0.5%	13.8%	3775.4
NASDAQ ($)	-1.4%	1.0%	39.0%	13011.0
S&P/ TSX Composite (C$)	-0.7%	2.8%	2.5%	17918.7
U.K. & European Equities				
FTSE All-Share (£)	-2.0%	3.5%	-9.9%	3803.8
MSCI Europe ex UK (€)	0.1%	2.5%	0.8%	1468.6
Asian Equities				
Topix (¥)	0.1%	2.9%	7.4%	1856.6
Hong Kong Hang Seng ($)	2.5%	4.9%	-1.1%	28573.9
MSCI Asia Pac. Ex-Japan ($)	0.9%	6.0%	23.0%	701.6
Latin American Equities				
MSCI EMF Latin America ($)	0.3%	3.9%	-11.8%	2546.6
Mexican Bolsa (peso)	-2.1%	3.9%	1.0%	45770.5
Brazilian Bovespa (real)	-3.7%	1.2%	3.2%	120422.1
Commodities ($)				
West Texas Intermediate Spot	0.0%	7.7%	-10.7%	52.3
Gold Spot Price	-0.7%	-3.3%	18.0%	1831.6
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.2%	-0.7%	8.5%	555.0
JPMorgan Emerging Mkt Bond	-0.5%	-1.5%	3.3%	919.9
10-Year Yield Change (basis points*)				
US Treasury	-2	18	-72	1.09%
UK Gilt	0	9	-35	0.29%
German Bund	-2	3	-32	-0.54%
Japan Govt Bond	1	2	3	0.04%
Canada Govt Bond	0	13	-75	0.81%
Currency Returns**				
US$ per euro	-1.1%	-1.1%	8.5%	1.208
Yen per US$	-0.1%	0.6%	-5.7%	103.86
US$ per £	0.1%	-0.6%	3.9%	1.359
C$ per US$	0.3%	0.1%	-2.3%	1.274

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.

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