

MONDAY MORNING RECAP - January 4, 2021

Last Week

| | | | |
|-------------------------------------|-----------|----------------|--------|
| Dow Jones Industrial Average (DJIA) | 30606.48 | +406.61 | +1.35% |
| S&P 500 Index | 3756.07 | +53.01 | +1.43% |
| NASDAQ Composite Index | 12888.28 | +83.55 | +0.65% |
| U.S. 10 yr. Treasury Note Yield | 0.93% | -1 Basis Point | |
| Gold (\$ per troy oz.) | \$1893.10 | +\$12.40 | +0.66% |
| WTI Oil (\$ per barrel) | \$48.52 | +\$0.29 | +0.60% |

Market Summary

GLOBAL EQUITIES: Global equities ended the year at record highs despite COVID-related pessimism and political uncertainty that impacted markets this year. The S&P 500 rose 1.43% this past week after President Trump signed the \$900bn stimulus package and Treasury Secretary Mnuchin announced that payments would be made immediately. In Europe, the Euro Stoxx 600 increased 0.77% after the UK finally approved its post-Brexit trade deal with the EU. The FTSE 100 ended down -0.64%, however, given tighter COVID-19 restrictions.

COMMODITIES: Brent and WTI crude prices continued their ascent this past week, closing at \$51.80 per barrel (bbl) and \$48.52 per bbl, respectively. The increase came in following President Trump's approval of a COVID-19 relief package and a greater-than-expected draw on oil inventories in the US. US dollar weakness continues to remain supportive of oil prices.

FIXED INCOME: US Treasury yields were range-bound during 2020's last week of trading, and stimulus-driven optimism was tempered by the Senate's decision to block the bid to increase stimulus payments to \$2,000. US 2-year and 10-year Treasury yields ended the week at 0.13% and 0.93%, respectively. In the UK, rising COVID-19 cases and tighter restrictions sent 10-year Gilt yields down 6 basis points (bps), while the German 10-year Bund fell 2 bps.

FX: The US dollar index sunk to two-year lows last week, falling -0.50% on expectations of US fiscal stimulus and low interest rates. Meanwhile, the pound slipped in its first full day of trading following the post-Brexit trade deal, but recovered to end the week up 0.84% against the US dollar after MPs voted to approve the deal. The euro similarly strengthened 0.34% against the US dollar, for a 10% rally over the course of the year.

Economic Summary

MANUFACTURING: The China NBS Manufacturing PMI edged down to 51.9 in December, coming in slightly below expectations. The print suggested moderating manufacturing growth, with improvements in the labor market and finished goods inventories offset by lower production and new orders. Meanwhile, December's Chicago PMI posted 59.5, showing strong growth metrics for the Chicago region despite other parts of the US continuing to see slower growth. The above-consensus increase was driven by an uptick in the employment and order backlogs components, but offset by weaker new orders.

JOBS: US initial jobless claims fell to 787k for the week ending December 26, down from 806k the prior week and lower than consensus expectations of 835k. However, jobless claims continue to remain at historically elevated levels, posting four times that of pre-pandemic levels given the slower rollout of the COVID-19 vaccine and heightened restrictions. Continuing claims for the week ending December 19 fell to a lower-than-expected 5.22m, declining 103k from the prior week. These readings are yet to include the impact of the recently-passed COVID-19 stimulus package.

Key Economic Releases

Monday, January 4:

Const. Spending MoM (Cons: 1.0%, Prior: 1.3%)

Tuesday, January 22:

ISM Manuf. (Cons: 56.6, Prior: 57.5)

Wednesday, January 23:

No economic data released.

Thursday, January 24:

US Jobless Claims (Cons: -, Prior: 787k)
ISM Non-Manuf. (Cons: 54.5, Prior: 55.9)

Friday, January 25:

Euro Area Unempl. (Cons: 8.5%, Prior: 8.4%)
Nonfarm Payrolls (Cons: 50k, 245k)
US Unempl. (Cons: 6.8%, Prior: 6.7%)

Source: Goldman Sachs Asset Management, "Market Monitor", 1/1/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Brexit" refers to the withdrawal of the United Kingdom from the European Union.
3. "EU" stands for European Union.
4. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
5. "Brent" is a global benchmark for oil prices worldwide.
6. "MP" stands for Member of Parliament.
7. "NBS" stands for National Bureau of Statistics.
8. "PMI" stands for Purchasing Managers Index.

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