

MONDAY MORNING RECAP - January 11, 2021

Last Week

Dow Jones Industrial Average (DJIA)	31097.97	+491.49	+1.61%
S&P 500 Index	3824.68	+68.61	+1.83%
NASDAQ Composite Index	13201.98	+313.69	+2.43%
U.S. 10 yr. Treasury Note Yield	1.13%	+20 Basis Points	
Gold (\$ per troy oz.)	\$1834.10	-\$59.00	-3.12%
WTI Oil (\$ per barrel)	\$52.24	+\$3.72	+7.67%

Market Summary

GLOBAL EQUITIES: Global stock markets continued their 2020 rally on the prospect of a more aggressive US fiscal policy under a new Biden administration. The S&P 500 shrugged off violence at the Capitol and ended at a record-high level of 3824.68, rising 1.83% for the week. Strength continued outside the US. The FTSE 100 soared to the highest level since March, rising 6.40% for the week. Similarly, Euro STOXX 600 ended higher 3.06%.

COMMODITIES: Global oil prices continued to rise on the back of tighter near-term supplies. Saudi Arabia, the world's largest oil exporter, announced a voluntary output cut by 1 million barrels per day in February and March. Other members of OPEC+ are expected to hold output steady or make small increases in early 2021. WTI broke \$50 for the first time in 11 months and ended higher at \$52.24 per barrel (bbl). Brent also rose to \$55.99 per bbl.

FIXED INCOME: US Treasuries sold off last week after Democrats won leadership of the Senate, unifying government control. The Democratic majority raises the prospect of greater fiscal spending in the near-term, and yields climbed in anticipation of more debt and potentially more growth. The US 10-Year yield rose 20bps, breaking 1% for the first time since March. The 2s10s curve reached its steepest level since 2017 years at 97bps. Global sovereign yields moved higher as well, with the 10-Year UK Gilt and German Bund yields rising to 0.29% and -0.52%, respectively.

FX: The British pound fell in its first week post-Brexit transition, down - 0.76% against the US dollar. Challenges of the thin trade agreement, renewed COVID-19 lockdowns, and the specter of a negative policy rate all weighed on the sterling. The euro rose 0.2% against the US dollar and the US dollar index ended the week up 0.02%.

Economic Summary

US ELECTIONS: Democrats won both runoff Senate seats in Georgia, gaining an effective Senate majority and control of the House, Senate, and White House.

PRODUCTION: US December ISM surprised to the upside for both manufacturing and service sectors, both advancing against expectations for declines. The ISM manufacturing index increased to 60.7, the highest level since 2018. Non-manufacturing rose to 57.2, though showed weakness in the employment component.

JOBS: The December US headline unemployment rate held steady at 6.7% as the labor market recovery continued to stall amid virus resurgence. Nonfarm payrolls fell for the first time since April, dropping by 140k. Euro area headline unemployment continued to decline from its peak at 8.7% in July to 8.3% in November.

INFLATION: In the Euro area, headline and core inflation came out unchanged in December, at -0.3% and 0.2% respectively, and remained at a record low for the latter. Both readings should mechanically rebound next month upon a reversal of Germany's COVID-related VAT rate cut.

Key Economic Releases

Monday, January 11:

No economic data released.

Tuesday, January 12:

NFIB Small Bus. Opt. (Cons: 100.3, Prior: 101.4)

Wednesday, January 13:

US CPI YoY (Cons: 1.3%, Prior: 1.2%)
US Core CPI YoY (Cons: 1.6%, Prior: 1.6%)

Thursday, January 14:

US Jobless Claims (Cons: 785k, Prior: 787k)

Friday, January 15:

UMich. Sent. (Cons: 80, Prior: 80.7)
US IP (Cons: 0.4%, Prior: 0.4%)
UK IP (Cons: 0.4%, Prior: 1.3%)
EU IP (Cons: 0.2%, Prior: 2.1%)

Source: Goldman Sachs Asset Management, "Market Monitor", 1/8/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
3. "Brent" is a global benchmark for oil prices worldwide. Page 1 Economic Summary Notes:
4. "VAT" refers to value-added tax.
5. "ISM" refers to the Institute for Supply Management.
6. "GDP" refers to Gross Domestic Product.

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