

MONDAY MORNING RECAP - January 3, 2021

Last Week

Dow Jones Industrial Average (DJIA)	36338.30	+387.74	+1.08%
S&P 500 Index	4766.18	+40.39	+0.85%
NASDAQ Composite Index	15644.97	-8.40	-0.05%
U.S. 10 yr. Treasury Note Yield	1.52%	+2 basis points	
Gold (\$ per troy oz.)	\$1827.50	+\$16.50	+0.91%
WTI Oil (\$ per barrel)	\$75.21	+\$1.42	+1.92%

Market Summary

GLOBAL EQUITIES: Global equities ended the year near record highs even as the current surge in COVID-19 cases surpassed peak levels last seen since the start of the pandemic. That said, markets have largely overlooked case count and have continued to rally on economies remaining open. In the US, the S&P 500 finished 2021 with 70 all-time highs, ending the past week up 0.85%. In Europe, the FTSE 100 rose 0.18% and the STOXX 600 increased 1.10%. The TOPIX also rose 0.41% last week.

COMMODITIES: Oil prices rallied for the fifth consecutive week, with Brent and WTI crude prices closing at \$77.78 and \$75.21 per barrel, respectively. Rebounding oil prices reflected both receding fears of severe illness from Omicron and falling US crude oil inventories, which declined 3.6 million barrels in the week of December 24. Gold prices wavered last week before rising to \$1827.50 per troy ounce.

FIXED INCOME: US Treasury yields rose modestly across the yield curve, supported by better-than-expected jobless claims and improving investor sentiment toward the Omicron wave. Specifically, 10-Year US Treasuries finished at 1.52%, up 2 bp on the week. The rise in 2-Year Treasury yields, finishing at 0.73%, was even more stark over 2021, reflecting forthcoming monetary tightening. In the UK, 10-Year Gilts closed at 0.97%, up 5 bps the past week.

FX: European currencies strengthened relative to the US dollar on the back of optimism that virus cases could quickly peak. The Euro and Pound rose to 1.1386 and 1.3535 against the US dollar, respectively. Meanwhile, the US dollar index was range-bound, finishing -0.57% lower.

Economic Summary

MANUFACTURING: December manufacturing numbers came out from many regions of the US this past week. The Dallas Fed Manufacturing Activity Index fell to 8.1 after being forecasted for 13.5, ultimately disappointing consensus but still suggesting an improving perception of broader business conditions. On a more positive note, the Chicago PMI posted 63.1, showing strong growth metrics for the Chicago region above consensus expectations of 62.0. The Richmond Fed Manufacturing Index also posted 16, a five-month high driven by increases in new orders and shipments.

TRADE: The November US Advance Goods Trade Balance declined from -\$82.9b to -\$97.8b, a much greater deficit than the -\$88.1b consensus figure anticipated. The large deficit change in November reflects an unexpected increase in imports.

LABOR: US Initial Jobless Claims for the week ended December 25 fell to 198k, down from 205k the prior week. The figure has recently reached multi-decade lows and illustrates how strong job creation has been this past year. That said, Omicron concerns may affect jobless claims going into the new year, even as economies attempt to remain open.

Key Economic Releases

Monday, January 3:

Construct. Spend. MoM (Cons: 0.6%, Prior: 0.2%)

Tuesday, January 4:

ISM Manuf. (Cons: 60.3, Prior: 61.1)

Wednesday, January 5:

No economic data released.

Thursday, January 6:

US Jobless Claims (Cons: -, Prior: 198k)
ISM Services (Cons: 67.1, Prior: 69.1) US
Trade Bal. (Cons: - \$72.6B, Prior: -\$67.1B)

Friday, January 7:

US Unempl. (Cons: 4.1%, Prior: 4.2%)
US Nonfarm Payrolls (Cons: 400k, Prior:
210k)
Eur. Core CPI YoY (Cons: 2.5%, Prior:
2.6%)

Source: Goldman Sachs Asset Management: "Market Monitor", 12/31/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "US Crude inventories" refer to the Energy Information Administration's Crude Oil Inventories.
3. "Brent" is a global benchmark for oil prices worldwide.
4. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
5. "Chicago PMI" refers to the Chicago Purchasing Managers' Index.
6. "Initial Jobless Claims" refers to the number of people filing to receive unemployment insurance benefits for the week ending December 25.

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