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CORBETT ROAD
WEALTH MANAGEMENT

Market Week: February 1, 2021

The Markets (as of market close January 29, 2021)

Equities were mixed to begin last week. The Global Dow (-0.6%), the Russell 2000 (-0.3%), and the Dow (-0.1%) lost value. The S&P 500 advanced 0.4% on the day, and the Nasdaq closed up 0.7% to reach a record high. Treasury yields fell, while crude oil prices and the dollar rose. Technology, consumer staples, real estate, and utilities led the sectors. Investors may have pulled away from stocks following uncertainty over President Biden's stimulus plan; news of a new, aggressive COVID-19 strain; foreign travel restrictions into the United States; and word that a major pharmaceutical company had stopped working on its COVID vaccine program.

Only the Global Dow edged higher last Tuesday, a day that saw investors take profits from record-setting equities. Small caps, which had been soaring, fell back, pulling the Russell 2000 down 0.6%. The S&P 500 dropped 0.2%, while both the Nasdaq and the Dow inched down 0.1%. Crude oil prices and the dollar gave back Monday's gains, while the yield on 10-year Treasuries was unchanged. Among the sectors, real estate, consumer staples, and communication services fared the best, while energy, materials, financials, and industrials fell.

A less-than-optimistic assessment from the Federal Reserve sent stocks reeling last Wednesday. Each of the benchmark indexes fell sharply, led by the Nasdaq and the S&P 500, which each lost 2.6%, while the Dow fell 2.1%. The Russell 2000 and the Global Dow each dropped 1.9%. Prices for Treasury notes spiked, pulling yields lower by 2.5%. Crude oil prices and the dollar gained. All of the sectors fell, with communication services, health care, and materials the hardest hit.

Investors looked for value buys last Thursday, taking advantage of lower stock prices following Wednesday's sell-off. The large caps of the Dow and the S&P 500 both rose 1.0%, while the Nasdaq and the Global Dow each advanced 0.5%. The small caps of the Russell 2000 edged down 0.1%. Industrials, health care, communication services, financials, and materials performed well last Thursday. Treasury yields climbed 4.2%, while crude oil prices and the dollar fell.

The week saw a new type of market risk due to "cyberbulling" — a scenario where retail investors acting together online agree to buy certain stocks, which can create extreme volatility in certain stocks and sectors. Ultimately, the week closed on a sour note for stocks as each of the benchmark indexes lost value last Friday. The Dow, the Nasdaq, and the Global Dow each fell 2.0%. The S&P 500 finished down 1.9%, and the Russell 2000 dropped 1.6%. Treasury yields and the dollar closed up, while crude oil prices dropped. All of the market sectors finished the day in the red, led by energy, which plunged 3.4%.

Each of the benchmark indexes listed here lost significant value last week. The Russell 2000, which had gotten off to a very positive start to the new year, suffered the largest drop, falling 4.4%, followed by the Global Dow, the Nasdaq, the S&P 500, and the Dow. The dollar and crude oil prices closed slightly ahead, while gold prices dipped lower. For the third consecutive week, 10-year Treasury yields ended the week where they began. Year to date, the Russell 2000 and the Nasdaq are the only indexes still in the black.

The national average retail price for regular gasoline was $2.392 per gallon on January 25, $0.013 higher than the prior week's price but $0.114 less than a year ago. Crude oil imports into the United States averaged 5.1 million barrels per day for the week ended January 22, a decrease of 1.0 million barrels per day from the previous week.

Key Dates/Data Releases

2/1: ISM Manufacturing Index

2/3: ISM Services Index

2/5: Employment situation, international trade in goods and services

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 1/29	Weekly Change	YTD Change
DJIA	30,606.48	30,996.98	29,982.62	-3.27%	-2.04%
Nasdaq	12,888.28	13,543.06	13,070.69	-3.49%	1.42%
S&P 500	3,756.07	3,841.47	3,714.24	-3.31%	-1.11%
Russell 2000	1,974.86	2,168.76	2,073.64	-4.39%	5.00%
Global Dow	3,487.52	3,598.29	3,455.84	-3.96%	-0.91%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.09%	1.09%	0 bps	18 bps
US Dollar-DXY	89.84	90.22	90.57	0.39%	0.81%
Crude Oil-CL=F	$48.52	$52.09	$52.17	0.15%	7.52%
Gold-GC=F	$1,893.10	$1,853.50	$1,847.30	-0.33%	-2.42%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The Federal Open Market Committee met last week and decided to keep the target range for the federal funds rate at 0.00%-0.25%. The Committee indicated that it expects to maintain that target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment, and inflation has risen to 2.0% and is on track to moderately exceed 2% for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month. The Committee indicated that the pace of economic activity and employment has moderated, with weakness concentrated in the sectors most adversely affected by the pandemic. This assessment is scaled back from December, when the Committee noted that economic activity and employment had continued to recover.
- The economy grew at an annual rate of 4.0% in the fourth quarter, according to the initial, or advance, estimate of the gross domestic product. The GDP increased 33.4% in the third quarter after declining 31.4% in the second quarter. Consumer spending rose by 2.5% in the fourth quarter following a 41.0% surge in the third quarter. Consumer prices increased 1.5% in the fourth quarter, compared with an increase of 3.7% in the third quarter. Nonresidential fixed investment (what businesses spend on physical structures and equipment) climbed 13.8%, while residential fixed investment rose 33.5%. In the fourth quarter, exports advanced 22.0% and imports increased 29.5%.
- Consumer prices edged up 0.4% in December. Both personal income and disposable personal income increased 0.6% in December. Consumer spending fell 0.2% in December. For 2020, consumer prices rose 1.3%; personal income increased 6.3%; disposable personal income climbed 7.2%; and personal consumption expenditures (consumer spending) fell 2.7%.
- Durable goods orders increased for the eighth consecutive month in December. New orders advanced 0.2% following a 1.2% increase in November. Machinery, also up eight consecutive months, drove the increase, climbing 2.4% in December. Shipments of manufactured durable goods in December, up seven of the last eight months, increased 1.4%. This followed a 0.4% November increase. Unfilled orders for manufactured durable goods in December, down nine of the last ten months, decreased 0.3%. Inventories of manufactured durable goods in December, down following three consecutive monthly increases, decreased 0.2%. Nondefense new orders for capital goods in December decreased 2.0%.
- Sales of new, single-family homes increased 1.6% in December and finished 2020 up 15.2%. The median sales price of new houses sold in December 2020 was $355,900. The average sales price was $394,900. The estimate of new houses for sale at the end of December was 302,000. This represents a supply of 4.3 months at the current sales rate.

- The international trade in goods deficit was $82.5 billion in December, down 3.5% from November. Exports of goods for December were $133.4 billion, 4.6% more than November exports. Imports of goods for December were $215.9 billion, 1.4% more than November imports. In 2020, the trade in goods deficit increased by $13.2 billion, or 19.1%. Exports fell $3.5 billion, or -2.6%. Imports rose $9.7 billion, or 4.7%.
- For the week ended January 23, there were 847,000 new claims for unemployment insurance, a decrease of 67,000 from the previous week's level, which was revised up by 14,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.4% for the week ended January 16, a decrease of 0.1 percentage point from the prior week's revised rate. For comparison, during the same period last year, there were 212,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended January 16 was 4,771,000, a decrease of 203,000 from the prior week's level, which was revised down by 80,000. States and territories with the highest insured unemployment rates in the week ended January 9 were in Kansas (7.7%), Pennsylvania (7.0%), the Virgin Islands (6.9%), Alaska (6.4%), Nevada (6.1%), Michigan (5.6%), Puerto Rico (5.6%), Illinois (5.5%), New Mexico (5.5%), and Connecticut (5.4%). The largest increases in initial claims for the week ended January 16 were in Florida (+8,643), Maryland (+7,935), Kansas (+6,746), Ohio (+5,665), and Rhode Island (+2,998), while the largest decreases were in California (-65,383), New York (-10,936), Texas (-9,170), Pennsylvania (-8,503), and Washington (-7,877).

Eye on the Week Ahead

The latest information on the employment situation for January is the most noteworthy report out this week. December saw the number of jobs decrease by 140,000, while the unemployment rate was 6.7% — figures directly tied to a spike in COVID-19 cases.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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