PORTFOLIO DESIGN ADVISORS

Weekly Insight 1.11.21

Weekly Review

Key market catalysts that played out in late 2020 extended into the first week of 2021, lifting the major U.S. indexes to gains of around 2% and pushing record levels higher. Expectations of further U.S. government stimulus also helped to lift markets following Senate runoff elections in Georgia.

After posting a record-breaking quarterly gain of 31% in the just-completed fourth quarter, a small-cap benchmark, the Russell 2000 Index, extended its rally into the New Year. The index jumped around 6%, with most of the weekly rise coming from Wednesday's single-day jump of 4%.

The yield of the 10-year U.S. Treasury bond eclipsed 1.00% on Wednesday for the first time since early March 2020, when the impact of the pandemic sent yields sharply lower. The yield continued to surge as the week progressed, reaching 1.11% on Friday.

Wall Street analysts' profit forecasts for the quarterly earnings season that opens this week have recently been rising. According to FactSet, projections of earnings by companies in the S&P 500 increased by 2.3% over the course of last year's fourth quarter.

Returns

As of Date: 1/7/2021

	1 Week	QTD	YTD	1 Year
S&P 500	1.31%	1.31%	1.31%	19.67%
Dow Jones Industrial Average	1.47%	1.47%	1.47%	11.12%
S&P SmallCap 600	7.24%	7.24%	7.24%	20.16%
MSCI EAFE	2.12%	2.12%	2.12%	10.13%
MSCI Emerging Markets	2.41%	2.41%	2.41%	21.02%
Barclays US Agg Bond	-0.84%	-0.84%	-0.84%	6.27%
Barclays US Corp High Yield	0.17%	0.17%	0.17%	6.96%
Bloomberg Commodity	2.90%	2.90%	2.90%	-1.19%
S&P GSCI Crude Oil Spot	4.76%	4.76%	4.76%	-18.93%
S&P GSCI Gold Spot	0.98%	0.98%	0.98%	21.55%
Morningstar Conservative Index	-0.21%	-0.21%	-0.21%	9.29%
Morningstar Moderate Index	0.92%	0.92%	0.92%	13.77%
Morningstar Aggressive Index	1.97%	1.97%	1.97%	15.55%
Russell 1000 TR USD	1.51%	1.51%	1.51%	22.44%

This Week in Markets

Monday: No major reports scheduled

Tuesday: Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics

Wednesday: Consumer Price Index, U.S. Bureau of Labor Statistics; Federal budget, U.S. Department of the Treasury

Thursday: Weekly unemployment claims, U.S. Department of Labor; Export and import prices, U.S. Bureau of Labor Statistics

Friday: Retail sales, U.S. Census Bureau; Business inventories, U.S. Census Bureau; University of Michigan Index of Consumer Sentiment, preliminary result; Producer Price Index, U.S. Bureau of Labor Statistics

Themes, Risks, & Opportunities

3Q20 real GDP rose 33.1% q/q at a seasonally adjusted annual rate.

The U.S. recession and recovery could be at a slower pace than markets are anticipating.

Political headlines may foment market volatility.

Fixed income investors should move up in quality, and look to core bonds for portfolio ballast.

The 3Q20 earnings season continued this week with 464 companies having reported (91.8% of market cap). Current estimates for 3Q20 earnings is $37.42 with EPS declining 6.0% y/y.

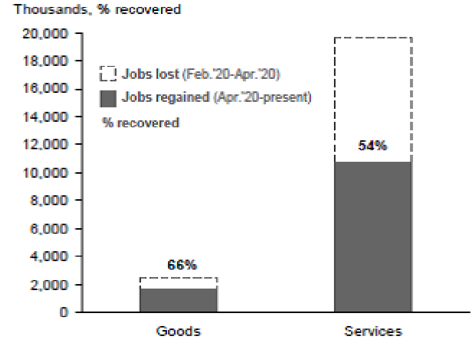
Thought of the Week

The 140,000 decline in nonfarm payrolls in December provided the clearest evidence yet that the resurgent COVID-19 pandemic has stalled the economic and jobs recovery. Job losses were concentrated in services, particularly leisure and hospitality, which shed 498,000 jobs, mostly in restaurants and bars that struggle to operate in the surging pandemic and colder weather. Areas like manufacturing and construction had strong gains, reflecting less strain in goods than services. Indeed, 66% of jobs lost last spring have been regained in the goods sector, compared to 54% in services. Nearly 9 million jobs have not yet been recovered in services, over 10 times that of goods. While services jobs may continue to struggle this winter, broader vaccine distribution in the coming months should help economic activity not only normalize, but also experience a surge in pent-up demand for travel and dining in late 2021, improving employment markedly in the hardest hit leisure and hospitality sector. Evidence that many of the job losses could be temporary is explicit in the employment report: in December, 15.8 million people reported that they had been unable to work because their employer closed or lost business due to the pandemic, 1 million higher than in November. Additionally, 4.6 million people not in the labor force were prevented from looking for work due to the pandemic. These figures should ease dramatically as the pandemic wanes later in 2021, assisted by fiscal stimulus to support businesses and employees in the meantime.

CHART OF THE WEEK

Payroll employment lost and regained

Thousands, % recovered



Weekly Insight Disclosures

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