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Key Dates/Data Releases

2/1: ISM Manufacturing Index

2/3: ISM Services Index

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

2/9: JOLTS

2/10: Treasury budget, Consumer Price Index

2/17: Producer Price Index, retail sales, industrial production

2/18: Housing starts, import and export prices

2/19: Existing home sales

2/24: New home sales

2/25: Durable goods orders, GDP

2/26: Personal income and outlays, international trade in goods

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

Stocks were able to weather the storm of events that occurred throughout January, despite investors having numerous reasons to move away from equities.

The month began on a somewhat positive note as the availability of COVID vaccines increased throughout the country. Nevertheless, investors were concerned as the number of reported virus cases continued to increase.

Despite numerous challenges, the certification of the 2020 presidential election was to take place on January 6. However, protestors sieged the United States Capitol, disrupting the certification process and forcing members of Congress to shelter. Following a restoration of order, Congress ultimately certified the results of the election.

On January 13, the House of Representatives voted to impeach President Donald Trump a second time, charging him with "incitement of insurrection" against the United States government, alleging that he incited the storming of the Capitol.

The inauguration of President Joe Biden ultimately took place, as scheduled, on January 20. However, the event was held amidst a period of extreme political and civil unrest, concerns over the escalation of COVID-19 cases, increased restrictions in response to the pandemic, increasing unemployment, and curtailed economic recovery.

The fourth-quarter gross domestic product grew at an annualized rate of 4.0%. Job growth stymied, and the number of those receiving unemployment benefits exceeded 4.7 million. The Federal Reserve continued its accommodative measures and warned that the economy is still reeling from the effects of the pandemic.

Stocks ended the month with mixed returns. The large caps of the Dow and the S&P 500 lost value, and the Global Dow fell less than 1.0%. On the other hand, the Nasdaq finished ahead but trailed the small caps of the Russell 2000, which gained 5.0% over its December 2020 closing value.

The majority of the market sectors finished ahead, led by energy, which gained nearly 7.0% for the month. Consumer staples and industrials lagged.

The price of crude oil increased by more than 7.5%. The dollar climbed nearly 1.0%, while gold fell 2.4%. The national average retail price for regular gasoline was \$2.392 on January 25, \$0.149 higher than the December 28 selling price of \$2.243, but \$0.114 less than a year ago. The price of gold sank last month, closing at \$1,847.30 on January 29, down from its December 31 closing price of \$1,893.10.

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Stock Market Indexes

Market/Index	2020 Close	Prior Month	As of January 29	Monthly Change	YTD Change
DJIA	30,606.48	30,606.48	29,982.62	-2.04%	-2.04%
Nasdaq	12,888.28	12,888.28	13,070.69	1.42%	1.42%
S&P 500	3,756.07	3,756.07	3,714.24	-1.11%	-1.11%
Russell 2000	1,974.86	1,974.86	2,073.64	5.00%	5.00%
Global Dow	3,487.52	3,487.52	3,455.84	-0.91%	-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%	0.91%	1.09%	18 bps	18 bps
US Dollar-DXY	89.84	89.84	90.57	0.81%	0.81%
Crude Oil-CL=F	\$48.52	\$48.52	\$52.17	7.52%	7.52%
Gold-GC=F	\$1,893.10	\$1,893.10	\$1,847.30	-2.42%	-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 Month's Economic News\

Employment: Employment reversed course in December as total employment declined by 140,000, well below the total for November, which saw 245,000 new jobs added. In December, the unemployment rate and the number of unemployed persons were unchanged at 6.7% and 10.7 million, respectively. Although both measures are much lower than their April highs, they are nearly twice their pre-pandemic levels in February (3.5% and 5.7 million, respectively). The decline in payroll employment reflects the recent increase in coronavirus (COVID-19) cases and efforts to contain the pandemic. The number of permanent job losses declined by 348,000 to 3.4 million in December but is up by 2.1 million since February. In December, the number of persons not in the labor force who currently want a job, at 7.3 million, was little changed over the month but is 2.3 million higher than in February. In December, 23.7% of employed persons teleworked because of the coronavirus pandemic, up from 21.8% in November. In December, 15.8 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. This measure is 1.0 million higher than in November. The labor force participation rate and the employment-population ratio were both unchanged over the month, at 61.5% and 57.4%, respectively. These measures are up from their April lows but are lower than in February by 1.8 percentage points and 3.7 percentage points, respectively. Average hourly earnings increased by \$0.23 to \$29.81 in December and are up 5.1% from a year ago. The average work week declined by 0.1 hour to 34.7 hours in December.

Claims for unemployment insurance continued to drop in January. According to the latest weekly totals, as of January 16, there were 4,771,000 workers receiving unemployment insurance benefits, down from the December 19 total of 5,219,000. The insured unemployment rate fell 0.2 percentage point to 3.4%. During the week ended January 9, Extended Benefits were available in 19 states; 50 states reported 7,334,193 continued weekly claims for Pandemic Unemployment Assistance benefits, and 50 states reported 3,863,548 continued claims for Pandemic Emergency Unemployment Compensation benefits.

FOMC/interest rates: The Federal Open Market Committee met in January and scaled back its assessment of the economy and employment from December. Noting that the pace of economic activity and employment has moderated in recent months, the Committee decided to keep the target range for the federal funds rate at 0.00%-0.25%, which it expects to maintain until employment improves and inflation reaches or exceeds 2.0%. In addition, the Committee 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.

GDP/budget: The gross domestic product advanced at an annual rate of 4.0% in the fourth quarter of 2020. The GDP increased 33.4% in the third quarter after contracting 31.4% in the second quarter. Consumer spending, as measured by personal consumption expenditures, increased 2.5% in the fourth quarter after surging 41.0% in the third quarter. Nonresidential (business) fixed investment climbed 13.8% following a 22.9% increase in the third quarter; residential fixed investment continued to advance, increasing 33.5% in the fourth quarter after soaring 63.0% in the prior quarter. Exports advanced 22.0% in the fourth quarter (59.6% in the third quarter), and imports increased 29.5% in the fourth quarter (93.1% in the third quarter). Federal nondefense government expenditures decreased 8.4% in the fourth quarter following a third-quarter decline of 18.3% in the third quarter as federal stimulus payments and aid lessened. From the fourth quarter of 2019 to the fourth quarter of 2020, the GDP fell 2.5%; personal consumption expenditures dropped 2.6%; nonresidential fixed investment declined 1.3%; residential fixed investment rose 13.7%; exports dropped 11.0%; imports declined 0.6%; and nondefense government spending rose 1.8%.

The federal budget deficit in December came in at \$143.6 billion, nearly 11 times higher than the December 2019 deficit of \$13.3 billion. The deficit for the first three months of fiscal year 2021, at \$572.9 billion, is \$216.3 billion, or nearly 61% higher than the first three months of the previous fiscal year. Through December, government outlays increased \$213.2 billion, or 18%, while receipts fell \$3.1 billion. In December, the largest government expenditure was for Social Security, at \$117 billion, followed by payments for income security (\$77 billion), Medicare (\$75 billion), health (\$72 billion), and national defense (\$70 billion). Individual income tax and social insurance and retirement receipts, at \$144 billion and \$115 billion, respectively, were the largest sources of government receipts in December. Corporate income taxes totaled \$63 billion in December.

Inflation/consumer spending: According to the latest Personal Income and Outlays report, both personal income and disposable personal income advanced 0.6% in December after decreasing 1.3% and 1.5%, respectively, in November. Consumer spending fell 0.2% in December after falling 0.7% the previous month. Inflationary pressures remained somewhat muted as consumer prices edged up 0.4% in December after being unchanged in November and October. Consumer prices increased 1.3% in 2020.

The Consumer Price Index climbed 0.4% in December after advancing 0.2% in November. Over the 12 months ended in December, the CPI rose 1.4%. The increase in the index was driven by an 8.4% increase in the gasoline index, which accounted for more than 60% of the overall increase. The food index rose in December, as prices for both food at home and food away from home increased 0.4%. The CPI less food and energy prices increased a mere 0.1% in December. Prices for apparel rose 1.4%, while prices for used cars and trucks dropped 1.2% in December.

Prices that producers receive for goods and services rose 0.3% in December after increasing 0.1% in November and 0.3% in October. Producer prices increased 0.8% for 2020 after climbing 1.4% in 2019. Producer prices less foods, energy, and trade services rose for the eighth consecutive month after advancing 0.4% in December. For 2020, prices less foods, energy, and trade services moved up 1.1% after rising 1.5% in 2019. Goods prices jumped 1.1% in December, pushed higher by a 5.5% increase in energy prices.

Housing: The housing sector soared in December. Sales of existing homes rose 0.7% in December after falling 2.5% in November. Existing home sales in 2020 climbed 22.2%, reaching their highest level since 2006. The median existing-home price was \$309,800 in December (\$310,800 in November), up 12.9% from December 2019. Unsold inventory of existing homes fell 16.4% from November and represents a 1.9-month supply at the current sales pace, a record low. Sales of existing single-family homes also increased, climbing 1.4% in December after falling 2.4% in November. In 2020, sales of existing single-family homes rose 17.7%. The median existing single-family home price was \$272,200 in December, down from \$315,500 in November.

New single-family home sales also advanced, climbing 1.6% in December after falling 11.0% in November. Sales of new single-family homes increased 15.5% in 2020. The median sales price of new single-family houses sold in December was \$355,900 (\$335,300 in November). The December average sales price was \$394,900 (\$390,100 in November). The inventory of new single-family homes for sale in December represents a supply of 4.3 months at the current sales pace, up from the November estimate of 4.1 months.

Manufacturing: Industrial production advanced 1.6% in December, with gains of 0.9% for manufacturing, 1.6% for mining, and 6.2% for utilities. The increase for utilities resulted from a rebound in demand for heating after unseasonably warm weather in November. Total industrial production in December was 3.6% lower than it was a year earlier and 3.3% below its pre-pandemic February reading. The index for motor vehicles and parts declined 1.6% in December but was nevertheless 3.6% higher than its year-earlier level. Excluding the motor vehicle sector, factory output moved up 1.1% as most manufacturing industries posted gains. The production of durable goods, other than motor vehicles and parts, rose 1.5%, and nondurable goods production increased 0.9%.

For the eighth consecutive month, new orders for durable goods increased in December, climbing 0.2% following a 1.2% jump in November. Despite the trend of monthly increases, new orders for manufactured durable goods were 7.0% lower in 2020 than the prior year. Excluding transportation, new orders increased 0.7% in December (0.8% in November). Excluding defense, new orders increased 0.5% in December (1.2% in November). Machinery, also up eight straight months, led the increase, climbing 2.4% in December. New orders for motor vehicles and parts advanced 1.4% in December following a 2.8% jump in November. New orders for capital goods fell 2.5% in December, pulled lower by a 2.0% drop in nondefense capital goods.

Imports and exports: Both import and export prices rose higher in December. Import prices climbed 0.9% following a 0.2% increase the prior month. The December increase was the largest monthly advance since August. Despite the recent increases, prices for imports decreased 0.3% for 2020. Import fuel prices rose 7.8% in December following a 4.8% increase in November. The December advance in import fuel prices was the largest rise since a 15.2% increase in July 2020. Export prices advanced 1.1% in December after advancing 0.7% in November. The December increase in export prices was the largest single-month price increase since June 2020. Overall, export prices rose 0.2% in 2020. Agricultural export prices climbed 0.6% in December after rising 3.5% in November. Nonagricultural prices rose 1.3% in December, but fell 0.2% in 2020.

The international trade in goods deficit fell in December but rose in 2020. The December trade in goods deficit was \$82.5 billion, 3.5% below the November deficit but 19.1% above the 2019 figure. Exports rose by 4.6% in December, but fell 2.6% in 2020 from the prior year. Imports advanced 1.4% in December and increased 4.7% over 2019.

The latest information on international trade in goods and services, out January 7, is for November and shows that the goods and services trade deficit was \$68.1 billion, an 8.0% increase over the October deficit. November exports were \$184.2 billion, or 1.2%, more than October exports. November imports were \$252.3 billion, or 2.9%, more than October imports. Year to date, the goods and services deficit increased \$73.6 billion, or 13.9%, from the same period in 2019. Exports decreased \$372.3 billion, or 16.1%. Imports decreased \$298.7 billion, or 10.5%.

International markets: The European Central Bank maintained its record-low policy rate as efforts continue to revive the European economy, still ravaged by the effects of the COVID pandemic. Vaccination delays in Europe coupled with the emergence of a deadlier strain of the virus have kept expectations low for economic recovery any time soon. In Japan, deflation is trending as consumer prices continue to drop. On the other hand, China's fourth-quarter gross domestic product expanded by an annualized rate of 6.5%. Industrial production has

benefitted from strong exports, although retail sales in China continue to lag. For January, China's Shanghai Composite Index edged up 1.0%; the Eurozone's Euronext 100 fell 1.3%; and the United Kingdom's FTSE 100 Index dropped nearly 2.0%.

Consumer confidence: The Conference Board Consumer Confidence Index® improved in January after falling in December. The index stands at 89.3, up from 87.1 in December. However, the Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased from December's 87.2 to 84.4 in January. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, increased from 87.0 in December to 92.5 in January.

Eye on the Month Ahead

February brings with it continued hope in the fight against the COVID-19 pandemic. The economy showed signs of recovery in January, which should continue in February. The stock market is expected to maintain its resilience this month, particularly as more economic stimulus becomes available.

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 leading 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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