

In this week's recap: After setting new highs, market rattled by unexpected trading phenomenon.

Weekly Economic Update

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THE WEEK ON WALL STREET

Despite strong corporate earnings, stock prices closed lower after a volatile week of trading triggered by unprecedented activity in a handful of companies.

The Dow Jones Industrial Average lost 3.27%, while the Standard & Poor's 500 fell 3.31%. The Nasdaq Composite index dropped 3.49% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, slipped 1.83%.^{1,2,3}

BULL MARKET TAKES A BREATH

On Monday, the S&P 500 and NASDAQ Composite overcame early losses to post new all-time highs.⁴

Stocks rode a roller coaster on Wednesday, falling sharply despite above-consensus earnings results, only to come roaring back the following day. Stocks suffered another broad retreat on Friday, sending the major indices to their worst weekly performance since October.^{4,5}

Earnings continued to surprise to the upside, with 81% of companies in the S&P 500 that reported results by last Thursday morning exceeding analysts' expectations.⁶

SHORTS COME INTO FOCUS

The ability of social media to stoke passions and provide a catalyst to herd behavior made itself evident on Wall Street last week.

A chat forum became the central hub for motivating individual investors to trade certain stocks with large short positions. This unexpected buying activity roiled markets and fueled a sharp rise in their stock prices. The sudden surge higher forced some fund managers to buy stocks in these companies at higher prices, resulting in substantial losses for the firms.

It's difficult to say whether this social media phenomenon has long-term implications, though it is likely to change how professional investors evaluate trading strategies in the future.

In order to sell short, you are required to open a margin account. Selling short is not suitable for all investors. Margin trading entails greater risk, including the risk of unlimited losses in a position and incurrence of margin interest debt. You should consider your financial situation and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

TIP OF THE WEEK



Succession planning isn't just about an orderly ownership transition. Waiting too long may prompt changes in insurance premiums, fees and taxes.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Institute for Supply Management (ISM) Manufacturing Index.

Wednesday: Automated Data Processing (ADP) Employment Report. Institute for Supply Management (ISM) Services Index.

Thursday: Jobless Claims. Factory Orders.

Friday: Employment Situation Report.

Source: Econoday, January 29, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Thermo Fisher Scientific, Inc. (TMO).

Tuesday: Amazon.com (AMZN), Alibaba Group (BABA), Alphabet, Inc. (GOOG), ExxonMobil (XOM), Pfizer (PFE), Amgen (AMGN), United Parcel Service, Inc. (UPS), Electronic Arts (EA), Emerson Electric (EMR), Chipotle Mexican Grill (CMG).

Wednesday: Abbvie (ABBV), Qualcomm (QCOM), PayPal Holdings (PYPL), GlaxoSmithKline (GSK).

Thursday: Ford Motor Company (F), Bristol Myers Squibb (BMY), Merck (MRK), Snap, Inc. (SNAP), Prudential Financial (PRU), Air Products and Chemicals, Inc. (APD), Penn National Gaming (PENN).

Friday: Regeneron Pharmaceuticals, Inc. (REGN), Illinois Tool Works, Inc. (ITW).

Source: Zacks, January 29, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

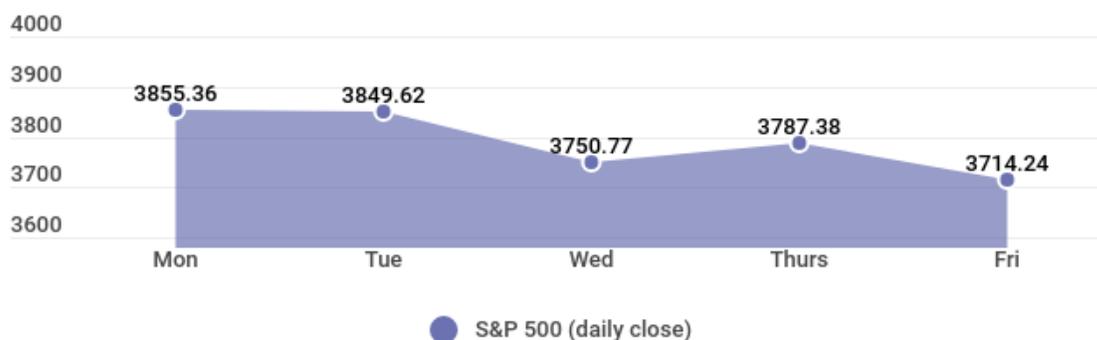
QUOTE OF THE WEEK



“The person who makes a success of living is one who sees his goal steadily and aims for it unswervingly.”

CECIL B. DeMILLE

Market Index	Close	Week	Y-T-D
DJIA	29,982.62	-3.27%	-2.04%
NASDAQ	13,070.69	-3.49%	+1.42%
MSCI-EAFE	2,159.65	-1.83%	+0.56%
S&P 500	3,714.24	-3.31%	-1.11%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.11%	+0.02%	+0.18%

Sources: The Wall Street Journal, January 29, 2021; Treasury.gov, January 29, 2021

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, January 22, to Friday, January 29, close. Weekly performance for the MSCI-EAFE is measured from Friday, January 22, open to the Thursday, January 28, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



It can certainly be measured, yet it has no length, width, or height. What is it?

LAST WEEK'S RIDDLE: A man claims he was 88 years old two days ago, and yet he also tells you that he will turn 91 next year. How can this be?

ANSWER: The man talks to you on New Year's Day (1/1), and his birthday is on December 31. So two days ago (12/30), he was 88. On 12/31, he turned 89. His 90th birthday will fall on 12/31 of this year, and he will turn 91 next year.

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Know someone who could use information like this? Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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CITATIONS:

1. The Wall Street Journal, January 29, 2021
2. The Wall Street Journal, January 29, 2021
3. The Wall Street Journal, January 29, 2021
4. The Wall Street Journal, January 25, 2021
5. CNBC January 29, 2021
6. The Wall Street Journal, January, 28, 2021