

*In this week's recap: A streak of optimism on fiscal stimulus and vaccines boosts the markets; Yellen tells Congress to "act big."*

# Weekly Economic Update

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*Presented by Pat Kennedy-Baxter, Financial & Investment Advisor Representative*

*January 25, 2021*

## THE WEEK ON WALL STREET

Anticipation of a new fiscal stimulus and improved vaccine distribution powered stocks to fresh record highs last week with technology stocks leading the way.

The Dow Jones Industrial Average gained 0.59%, while the Standard & Poor's 500 picked up 1.94%. The Nasdaq Composite index led, gaining 4.19% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, rose by 1.15%.<sup>1,2,3</sup>

## STOCKS SCALE NEW HEIGHTS

In a holiday-shortened week, stocks rallied as investors welcomed testimony from incoming Treasury Secretary Janet Yellen to the Senate Finance Committee that suggested lawmakers needed to "act big" on fiscal stimulus, raising hopes for a new round of federal spending.

An orderly presidential transition and the anticipation of a more effective vaccine distribution plan contributed to stocks touching multiple new highs last week. Investor enthusiasm was further supported by a strong start to the fourth-quarter earnings season.

Mega-cap technology companies resumed their market leadership ahead of a full calendar of big tech earnings reports this week. Market momentum stalled a bit into the close on concerns that any stimulus spending bill might come in lower than expected.

## EARNINGS BEATING EXPECTATIONS

One of the concerns of market watchers has been the valuations of stocks. Stocks are currently trading at about 23 times 2021 earnings, above the historical range of 15 to 17 times forward earnings.<sup>4</sup>

Today's valuations may be explained by expectations of a strong economic rebound and a concomitant rise in corporate profits. So far, this earnings season appears to vindicate the optimism; With 41 of S&P 500 companies reporting through last Thursday, 91% of them have exceeded estimates by an average of 18.5%.<sup>5</sup>

Investors are expected to continue to watch company earnings in the weeks ahead to see whether these consensus-beating results continue.

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#### TIP OF THE WEEK



*If you want to improve your credit score, an inactive credit card will not help (and it may even hurt). The key factors in credit score determination are recent activity and recent payment history.*

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#### THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Consumer Confidence.

**Wednesday:** Durable Goods Orders. FOMC (Federal Open Market Committee) Announcement.

**Thursday:** Gross Domestic Product (GDP). Jobless Claims. New Home Sales.

Source: Econoday, January 22, 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:** KimberlyClark (KMB).

**Tuesday:** Microsoft (MSFT), General Electric (GE), Advanced Micro Devices (AMD), Verizon (VZ), Johnson & Johnson (JNJ), Lockheed Martin (LMT), Starbucks (SBUX), 3M Company (MMM), Texas Instruments (TXN), Novartis (NVS), D.R. Horton (DHI).

**Wednesday:** Apple (AAPL), Facebook (FB), AT&T (T), Boeing (BA), Abbott Laboratories (ABT), ServiceNow, Inc. (NOW), General Dynamics (GD), Norfolk Southern (NSC).

**Thursday:** McDonalds (MCD), Comcast Corp. (CMCSA), Southwest Airlines (LUV).

**Friday:** Caterpillar (CAT), Chevron (CVX), Eli Lilly (LLY), Honeywell International (HON), Charter Communications (CHTR).

Source: Zacks, January 22, 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.

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#### QUOTE OF THE WEEK

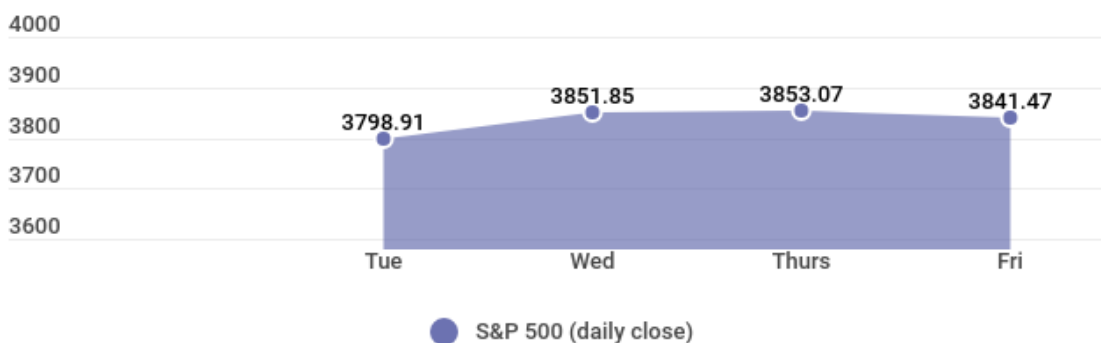


*“The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year.”*

*JOHN FOSTER DULLES*

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Market Index	Close	Week	Y-T-D
DJIA	30,996.98	+0.59%	+1.28%
NASDAQ	13,543.06	+4.19%	+5.08%
MSCI-EAFE	2,209.99	+1.15%	+2.91%
S&P 500	3,841.47	+1.94%	+2.27%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.09%	-0.01%	+0.16%

Sources: The Wall Street Journal, January 22, 2021; Treasury.gov, January 22, 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 15, to Friday, January 22, close. Weekly performance for the MSCI-EAFE is measured from Friday, January 15, open to the Thursday, January 21, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY 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?*

*LAST WEEK'S RIDDLE: Four cars approach an intersection with four-way stop signs simultaneously, each car coming from a different direction. After stopping, the drivers all accelerate at the same time. However, there is no accident. How is this possible?*

*ANSWER: All four cars made right turns.*

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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 22, 2021
2. The Wall Street Journal, January 22, 2021
3. The Wall Street Journal, January 22, 2021
4. CNBC, January 21, 2021
5. Earnings Scout, January 21, 2021