

BOW BECKER WEALTH MANAGEMENT, LLC

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Equity markets decline, bonds & yields unchanged.

The week ending January 29th saw equity markets decline 3%-5% but notably absent was an accompanying rally in Treasury bonds as yields were largely unchanged.

Market focus last week was certainly centered on one of the greatest short squeezes of all time (GME) with more important but less watched 4Q earnings reports and a heavy economic calendar taking shape in the background. Cyclical areas of the stock market including energy, financials, industrials, and materials were hit the hardest along with small/mid-caps. The USD had its best week since the last week of October but there wasn't much movement across the commodity markets.

Market Anecdotes

- Bull market top? We don't think so. Low inflation, big fiscal thrust, totally accommodative monetary policy, tight spreads, ultra-low real interest rates, vaccines getting into arms, and improving economic fundamentals. That said, some consolidation would be a welcomed event.
- The stock market was in a sell the news mindset last week given the run up in advance of the 4Q earnings season. Earnings are delivering and market participants are selling into that strength.
- With 37% of the S&P 500 reported, FactSet is reporting earnings of -2.3% with results 13.6% above estimates and a beat rate of 82%. Revenue grew by 1.7% with results 3.2% above estimates and a beat rate of 76%.
- The 10yr yield fell by the most since the November election (5.8 bps) on Monday to close more than 12 bps below where it peaked two weeks ago. It then proceeded to claw most of that back to end the week despite the risk off tone in the equity market.
- GameStop, the Blockbuster Video of video games. What happened? Sloppy hedge fund investors, relentless Reddit



Photo Source: www.bigstock.com

momentum, lax brokers/regulators, and a stark reminder that nothing is free, not even Robinhood. All resulting in a potent shot in the arm for Populism.

- Powell's FOMC performance was succinctly categorized by Bespoke as "the most dovish we have seen from any Federal Reserve Chair in our careers." Both rates and asset purchases held steady.
- The Conference Board's Leading Economic Indicator (LEIs) were released on Thursday showing a robust ratio of leading to coincident indicators marking a new multi-year high late last year.
- Jeremy Seigel noted in a FT op-ed last week that money supply (M2) in the U.S. just posted its highest growth rate (+24.21%) in over 150 years.
- Italian PM Conte resigned last week in response to a looming defeat in a judicial reform legislation. Unfortunately, this is expected to deal a blow to the Covid-19 vaccine rollouts across a pandemic battered Italy.
- The Covid-19 trajectory in the U.S. seems to have peaked over the past two weeks while vaccine distribution is inching painstakingly in the right direction.

Economic Release Highlights

- Personal income and outlays report for

December showed personal income +2.8% including transfer receipts. PCE price index is showing signs of life but again due to supply chain issues.

- Q4 GDP grew 4.0% Quarter over Quarter, relatively in line with expectations but well below the Atlanta Fed GDP Now estimate of 8%. Annual PCE came in a below expectations (2.5% vs 3.0%)
- December durable goods orders held steady at 0.2%, missing the consensus forecast of 1% but both Ex-Transports (0.7% vs 0.5%) and Core Capital Goods (0.6% vs 0.4%) beat.
- The Case-Shiller home price index came in higher on both the month over month (1.4% vs 0.8%) and Y/Y (9.1% vs 8.4%) basis.
- December new (842k vs 871k) and pending (-0.3%) home sales both came in slightly below expectations but more likely due to the contraction in supplies than anything else.
- January's University of Michigan consumer sentiment reading stayed subdued at 79.
- January's headline consumer confidence index came in above consensus (89.3 vs 88.5), suggesting constructive consumer expectations of business and economic conditions.

INSIGHT

MARKET ANALYSIS

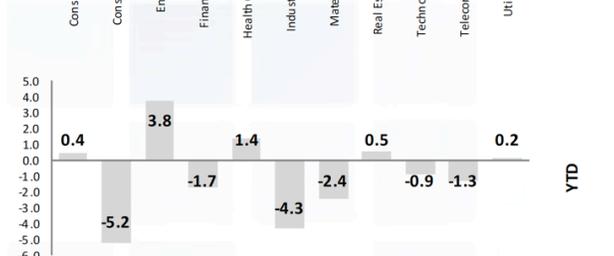
Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	12/31/20	9/30/20	6/30/20
Dow Jones	29983	(3.27)	(1.08)	13.03	(1.95)	6.75	Oil (WTI)	52.78	48.35	40.05	39.27
NASDAQ	13071	(3.48)	1.75	17.07	1.44	42.18	Gold	1852.70	1887.60	1886.90	1768.10
S&P 500	3714	(3.29)	(0.22)	12.68	(1.01)	15.56	Currencies				
Russell 1000 Growth		(3.35)	(0.52)	11.68	(0.74)	32.38	USD/Euro (\$/€)	1.21	1.23	1.17	1.12
Russell 1000 Value		(3.46)	0.40	16.58	(0.92)	2.76	USD/GBP (\$/£)	1.37	1.30	1.29	1.24
Russell 2000		(4.38)	5.90	33.16	5.03	27.41	Yen/USD (¥/\$)	103.76	103.76	105.58	107.77
Russell 3000		(3.47)	0.31	15.12	(0.44)	18.72	Treasury Rates				
MSCI EAFE		(3.45)	(1.58)	18.99	(1.06)	8.25	3 Month	0.06	0.09	0.10	0.16
MSCI Emg Mkts		(4.44)	5.09	19.17	3.09	24.22	2 Year	0.11	0.13	0.13	0.16
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.45	0.36	0.28	0.29
US Aggregate	2.16	(0.00)	0.01	(0.14)	0.02	(0.50)	10 Year	1.11	0.93	0.69	0.66
High Yield	5.14	0.03	0.01	(0.34)	0.03	(0.31)	30 Year	1.87	1.65	1.46	1.41
Municipal	2.04	(0.01)	(0.00)	0.04	(0.00)	(0.06)					

Style Returns

	V	B	G	
L	-0.92	-0.82	-0.74	MTD
M	-0.23	-0.26	-0.33	
S	5.26	5.03	4.82	



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L	-0.92	-0.82	-0.74	YTD
M	-0.23	-0.26	-0.33	
S	5.26	5.03	4.82	



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