



Economic & Market Commentary

Stocks rose modestly to sharply higher last week on mixed economic data while bond yields surged to their highest level since March 2020. Leading stocks higher were more volatile small-cap, mid-cap, and emerging markets asset classes. Driving stocks higher were the usual culprits including vaccine optimism, latest round of economic relief packages, expected re-emergence of strong economic and earnings growth, and continued accommodative monetary policy. A newcomer to the group is the reflation trade. With Democrats regaining control of Congress, speculation is that fiscal policy will be greatly expanded including an extension of unemployment benefits, an additional round of robust economic stimulus checks, infrastructure spending, and more funding for states and local governments to help deal with Covid-19 related tax revenue losses. Cyclical sectors were the best performers last week with the Energy sector rising +9.3%, followed by Materials +5.7%, and Financials +4.8%. The reflation trade also steepened the yield curve by driving Treasury rates sharply higher on the long-end of the yield curve with the 10-yr Treasury rising to 1.11% from 0.92% the prior week. On the economic front, although ISM December manufacturing and service activity posted solid expansionary readings, the main focus was on the labor front as monthly jobs declined in December by -140,000 jobs coming in much lower than expected as the consensus estimate called for job gains of +100,000. Weakness persists in the labor market as this marks the sixth consecutive decline in the monthly jobs number and the first negative reading since April 2020. 4Q20 corporate earnings season is set to kick off this Thursday and 2021 guidance will be a major focus. S&P 500 earnings are forecasted to grow +22.6% in 2021.

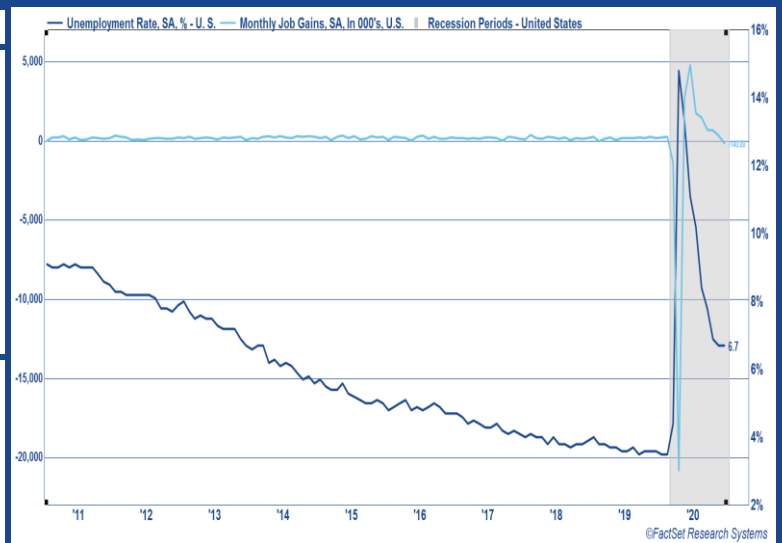
Total Returns - January 8, 2021

	1-Wk	YTD	1-Yr
NASDAQ	2.45	2.45	45.89
Russell 2000	5.93	5.93	27.42
S&P 500	1.88	1.88	19.76
MSCI-Emerging	4.83	4.83	24.37
S&P 400	4.77	4.77	19.65
Dow Jones	1.66	1.66	10.70
MSCI-Developed	3.16	3.16	11.67

Barclay's U.S. Bond Index

Aggregate	-0.94	-0.94	6.41
High Yield	0.23	0.23	7.02
Int. Gov. Credit	-0.46	-0.46	5.86
Municipal	-0.09	-0.09	4.45
5-year Muni	0.01	0.01	3.84

U.S. Labor Market



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	0.11	0.10	1.55
U.S. 2-Yr	0.14	0.12	1.58
U.S. 3-Yr	0.22	0.17	1.59
U.S. 5-Yr	0.48	0.36	1.66
U.S. 10-Yr	1.11	0.92	1.87
U.S. 30-Yr	1.87	1.65	2.36

S&P 500 - Sector Total Returns - January 8, 2021

Sector	1-Wk	YTD	1-Yr
Energy	9.31	9.31	-27.01
Materials	5.68	5.68	31.54
Financials	4.83	4.83	3.29
Consumer Discretionary	3.84	3.84	37.29
Health Care	3.37	3.37	16.85
Industrials	1.10	1.10	10.32
Info Tech	0.46	0.46	41.84
Communication Services	-0.06	-0.06	20.32
Utilities	-0.65	-0.65	1.07
Consumer Staples	-0.95	-0.95	10.83
Real Estate	-2.54	-2.54	-3.48

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	0.80	0.75	1.46
U.S. AA	0.91	0.88	1.53
U.S. A	1.34	1.33	1.85
U.S. Baa	1.96	2.04	2.37
U.S. Municipal	1.09	1.07	1.67
Michigan	1.19	1.14	1.79

Index Characteristics	P/E	P/E NTM	Dividend
	NTM	10yr-Avg.	Yield
S&P 500 - Large Cap	22.95	15.88	1.48
S&P 400 - Mid Cap	19.98	15.77	1.37
S&P 600 - Small Cap	20.26	15.69	1.43